

**INTERIM REPORT OF THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

**REVIEW OF THE DEPARTMENT
OF ENVIRONMENTAL QUALITY**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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Preface

The Department of Environmental Quality (DEQ) was created by the 1992 General Assembly and began operation in 1993. JLARC's review of the department was mandated by House Joint Resolution 531, approved by the 1995 General Assembly. HJR 531 directs JLARC to prepare an interim report for the 1996 General Assembly and a final report for the 1997 General Assembly. This interim report focuses on issues related to DEQ's reorganization.

JLARC staff found that DEQ's reorganization lacked adequate planning, particularly strategic planning. Several personnel management concerns were also identified by JLARC staff, some of which have larger policy implications for the Governor and General Assembly. One consequence of inadequate planning and problematic personnel practices is that agency morale and employee trust in agency management appear to be low at DEQ.

This report makes eight recommendations to improve DEQ's management of its reorganization as well as overall State policy regarding personnel management issues.

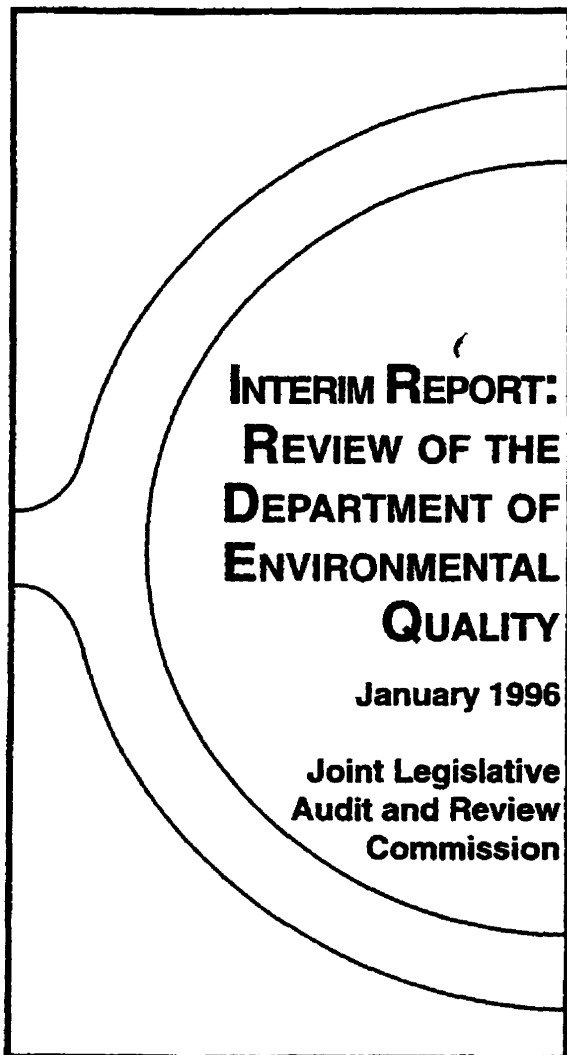
On behalf of JLARC staff, I would like to thank the Secretary of Natural Resources and the Director and staff of the Department of Environmental Quality for their assistance during the review. Further, I would like to thank those employees of DEQ whose desire to make the department a better organization resulted in their candid and thoughtful responses to JLARC staff's interview questions and employee survey.



Philip A. Leone
Director

January 22, 1996

JLARC Report Summary



In 1993 the General Assembly created the Department of Environmental Quality (DEQ) by merging four State agencies: the State Water Control Board, the Department of Air Pollution Control, the Department of Waste Management, and the Council on the Environment. In 1994, DEQ's new management began a comprehensive reorganization of the agency that is ongoing. This reorganization has resulted in significant staff reductions and decentralization of pro-

gram responsibility to DEQ's regional offices.

JLARC's review of the Department of Environmental Quality was mandated by House Joint Resolution 531 (HJR 531), approved by the 1995 General Assembly. The study mandate directed JLARC to prepare an interim report for the 1996 General Assembly and a final report for the 1997 General Assembly. This report presents interim staff findings from the review of DEQ.

Major conclusions of the current study are:

- DEQ's reorganization has not been supported by adequate strategic and analytical planning.
- Some of DEQ's personnel management practices during the reorganization have been problematic.
- Employee morale and trust in agency management at DEQ are low.
- Employee views are mixed with regard to the effectiveness of the reorganized DEQ.

DEQ's Reorganization Needs Improved Planning

DEQ's leadership team has paid insufficient attention to long-range, strategic planning and systematic analysis. It is also difficult to determine the rationale and analytical processes used by the agency's management in making decisions about staffing cuts. DEQ has not undertaken strategic planning, has only sparse documentation of planning for the reorganization, and does not appear to have carefully planned position reductions. The lack of planning for

position reductions is reflected in the agency not consulting with supervisors of laid off employees, still having some redundant management positions, and adding staff in areas where position reductions occurred earlier in the reorganization.

The lack of systematic planning underlying the reorganization makes it difficult to assess: (1) the degree to which DEQ management expects to make further organizational changes, and (2) the degree to which the agency's authorized staffing level is adequate to effectively carry out its environmental programs.

DEQ should develop a strategic plan for the agency, and DEQ management should use this strategic plan in making decisions about the agency's organization, staffing, and structure. In addition, DEQ should determine its resource requirements for implementing a new program mandate, the Title V operating permits required by the federal Clean Air Act Amendments of 1990.

DEQ's Personnel Management Practices Are Problematic

JLARC staff's review of DEQ's reorganization identified concerns with the agency's personnel practices and with employee morale and trust in agency management. Concerns regarding personnel management include use of inappropriate interview questions, questionable use of wage employees, the involvement of the Secretary of Natural Resources in agency hiring, and a perception among agency employees of favoritism in the agency's hiring. A number of respondents to the JLARC employee survey cited DEQ's questionable personnel management practices as a key factor contributing to the agency's low morale. In addition, the agency is preparing to implement an agency-specific personnel system for compensation, classification, and performance evaluation. DEQ's personnel management problems

raise concerns about the desirability of providing it authority for its own personnel system.

DEQ Employee Morale and Trust in Agency Management Are Low

JLARC's survey of DEQ employees suggests that employee morale and trust in agency management are low. While organizational change itself can have a negative effect on morale, other factors contributing to low morale at DEQ appear to be: problematic internal communication in the agency, a low level of trust among employees in agency management, and fear of job loss. The survey item regarding agency morale asked respondents to agree or disagree with the statement that "DEQ employee morale is good." This survey item had been used in three previous JLARC employee surveys of State employees at other agencies. The top half of the table on page III compares the results of these surveys.

JLARC staff found that DEQ's morale problems extend throughout the agency, including headquarters staff and staff in the agency's regional offices. In addition to the finding that morale in the agency is low, JLARC staff also found that trust in agency management is low. The bottom half of the table on page III compares survey responses on trust in agency management from DEQ employees and the previous JLARC study that used this survey item.

Employee Views Are Mixed About the Effectiveness of the Reorganized DEQ

DEQ employees generally agreed that the agency is making progress towards its goals of improving customer service and empowering regional employees, although DEQ employees differed on whether these were appropriate goals for the agency. A plurality of DEQ employees thought that the

Comparison of JLARC Survey Responses Rating Morale

Statement: *Employee morale is good.*

<u>Department</u>	<u>Strongly Agree %</u>	<u>Agree %</u>	<u>Disagree %</u>	<u>Strongly Disagree %</u>	<u>No Opinion %</u>	<u>Number of Respondents</u>
Department of Environmental Quality (1995)	0	4	34	55	7	127
Department of Personnel and Training (1993)	0	28	49	15	9	80
Department of Education (1991)	0	10	37	45	8	71
Department of Taxation (1991)	2	25	32	32	10	190

Comparison of Survey Responses Rating Trust in Agency Management

Statement: *Employee trust in agency management is good.*

<u>Department</u>	<u>Strongly Agree %</u>	<u>Agree %</u>	<u>Disagree %</u>	<u>Strongly Disagree %</u>	<u>No Opinion %</u>	<u>Number of Respondents</u>
Department of Environmental Quality (1995)	0	4	34	55	7	127
Department of Education	0	13	32	42	14	71

Note: Percentages may not add to 100 due to rounding; responses from DEQ headquarters technical staff have been weighted to produce a stratified sample.

Source: JLARC staff questionnaire of Department of Taxation staff, Spring 1991; JLARC survey of Department of Education staff, May 1991; JLARC survey of Department of Personnel and Training staff, Summer 1993; and JLARC survey of Department of Environmental Quality employees, September 1995.

new DEQ would be less efficient and effective than the former DEQ. Forty percent thought that the new DEQ would be less efficient and effective, 27 percent of DEQ employees thought that the new DEQ would be more efficient and effective, and 27 per-

cent thought that the new DEQ would be about the same.

The JLARC survey also asked DEQ employees whether the agency was advancing towards a number of goals stated in the agency's reorganization plan. One of

these goals was maintaining environmental quality. Forty-nine percent of DEQ's employees disagreed with the statement that DEQ was maintaining environmental quality; 33 percent agreed with the statement.

Another survey finding is that DEQ technical employees fear retaliation for making a decision consistent with law and regulation but which upsets a member of the regulated community. Forty-three percent of technical employees responding to the survey thought that their jobs would not be at risk if they made a decision consistent with law and regulation but which raised concern among members of the regulated community. Forty-one percent of employees thought their jobs would be at risk to some extent. Sixteen percent of employees thought their jobs would be at risk to a very great extent. A total of 57 percent of DEQ technical employees responding to this survey item indicated some fear of retaliation.

Implications of Phase I Findings

This phase of the review concentrated on DEQ's ongoing reorganization, and it identified concerns with inadequate planning for the reorganization, DEQ's personnel practices, and the low level of DEQ employee morale and trust in agency management. The findings from this phase of the review need to be placed in context. DEQ's current leadership team has significantly changed the emphasis, structure, and approach that the agency takes in fulfilling its statutory mandate. It is too early in this process to determine the effectiveness of these changes.

However, the effectiveness of a reorganization is oftentimes affected by the planning and management of the change pro-

cess as well as the degree to which employees "buy in" to the change process. DEQ's change process needs more effective management and planning to improve the implementation of changes. Better agency management may also assist the agency in getting employees to buy into the change process by providing employees with needed information about the rationale, goals, objectives, and specifics of proposed changes. At present, JLARC survey findings indicate that DEQ's leadership team faces significant challenges in improving low levels of employee morale and lack of trust in agency management. Both of these factors potentially hamper DEQ management's efforts to restructure the agency to be more efficient and effective.

In addition, given that the great majority of DEQ's resources are spent on salaries and benefits, concerns about personnel practices hinder the agency's ability to be as efficient and effective as possible. Concerns identified in this report about the agency's hiring practices and proposed implementation of a new personnel system should be addressed by the agency's management in order to improve employee morale and trust in management as well as the organization's effectiveness and efficiency. In addition, some aspects of concerns about DEQ's personnel management raise larger questions for the Governor, as the State's chief personnel officer, and the General Assembly regarding the management of the State workforce. These questions include the role of wage employees, the role of cabinet secretaries in agency hiring, and appropriate guidelines for agency-specific personnel systems.

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I. Introduction

House Joint Resolution (HJR) 531, approved by the 1995 General Assembly, directed JLARC to study the effectiveness of the organization, operation, and performance of the Department of Environmental Quality. HJR 531 also directed JLARC to submit an interim report to the Governor and the 1996 session of the General Assembly. The final report will be submitted to the Governor and the General Assembly prior to the 1997 session of the General Assembly (Appendix A).

The Department of Environmental Quality (DEQ) was created by the 1992 General Assembly, merging four existing State environmental agencies: the Department of Air Pollution Control (DAPC), the Department of Waste Management (DWM), the State Water Control Board (SWCB), and the Council on the Environment (COE). The DEQ authorizing legislation was re-enacted by the 1993 General Assembly, and DEQ began operation April 1, 1993.

In September 1994, the agency's current management began a significant reorganization of the department, as well as a comprehensive review of existing policies and regulations concerning the environment. This reorganization is ongoing. This report presents interim JLARC staff findings about DEQ and its reorganization. Because of the numerous organizational changes undertaken at DEQ over the last year, this interim report primarily addresses these changes. The effectiveness of DEQ's performance under the emerging structure of DEQ will be the primary focus of the final report to be presented to the Governor and 1997 General Assembly.

PREVIOUS REVIEWS OF STATE ENVIRONMENTAL AGENCIES AND PROGRAMS

State environmental agencies and programs have been reviewed in various levels of detail several times during the past 25 years. These reviews, which have been performed by both the legislative and executive branches, as well as the private sector, have helped shape Virginia's environmental policy and its execution. Eight of these reports are discussed below in terms of their relevance to the organization and function of the current DEQ.

1970 Governor's Management Study

The *Governor's Management Study* was conducted by Virginia's business and professional community at the request of Governor Linwood Holton in 1970. The object of the study was to find ways for Virginia to increase its economy and efficiency in government administration. On a broad basis, the report recommended the creation of a system of executive branch organization similar to the Secretarial system now in place in Virginia government. Within this system, the study recommended a Deputy Governor

of Commerce and Resources to oversee, among other agencies, the State water and air pollution control boards.

On a programmatic level, the Governor's Management Study recommended a consolidation of the Division of Water Resources of the Department of Conservation and Economic Development into SWCB. The planning function from the Division of Water Resources was to complement the protection and restoration of Virginia water quality as carried out by SWCB.

Also, to promote efficiency in operation and to avoid duplication of functions, the study recommended that the scope of activities by the three agencies heavily involved in maintaining clean water and air should be clarified. These agencies were the air and water control boards and the Virginia Department of Health (VDH). Specifically, the study recommended that VDH set standards for water, sewage effluent, and air quality, while engineering, fieldwork, regulatory, compliance, educational, and training activities be assumed by the water and air boards.

1973 Commission on State Governmental Management Series of Reports

In 1973, the General Assembly established the Commission on State Governmental Management to examine ways to make State government more efficient, effective, responsive, and responsible. The Commission recommended that the State's Secretariat of Commerce and Resources be divided into a Secretary of Agriculture and Economic Resources and a Secretary of Natural Resources. As part of this recommendation, the Council on the Environment was to be eliminated, with its staff becoming staff of the Secretary of Natural Resources.

The Commission also recommended that SWCB strengthen its emphasis on planning in the water resource area to address the issue of water supply shortages. Further, the Commission recommended that VDH's Bureau of Sanitary Engineering relinquish responsibility for the regulation of sewerage systems and sewage treatment plants to SWCB. Finally, the Commission recommended that virtually all the functions of VDH's Bureau of Solid Waste be assigned to the proposed Secretary of Natural Resources as a Division of Solid Waste Management.

1976 JLARC Study: *Water Resource Management in Virginia*

In 1976, JLARC completed a program evaluation of water resource management in the State. In general, JLARC found that Virginia's water laws and management programs had not kept pace with the State's growing urban population. JLARC reported that the State's approach to water resource management was almost entirely focused on pollution control to the exclusion of other important problems such as water supply planning.

With regard to pollution prevention, JLARC found that the State had not been able to control the discharge of many harmful substances into its waters. JLARC concluded that a major obstacle to resolving the problems associated with water resource management was the fragmentation of authority for water resource policy formulation. Thus, JLARC recommended the creation of one water resource management agency responsible for "assessing the Commonwealth's water resource needs, directing State water resource programs and guiding the activities of local, State, and federal organizations toward the common goal of adequate and safe water for all Virginians."

A major focus of this report was SWCB and its role in water resource management. Specific to SWCB, JLARC found that the low priority SWCB had assigned to the development of water resource plans had severely reduced the Commonwealth's ability to avoid crisis-oriented decisionmaking. JLARC also cited problems related to the enforcement of pollution permits. JLARC cited incidences of frequent violations that had gone essentially un-corrected due to SWCB's over-emphasis on a cooperative, rather than legal, approach to enforcement. JLARC also recommended that SWCB establish uniform sampling procedures and a statistically valid methodology to make meaningful conclusions about water quality trends, and be authorized to develop a comprehensive flood management program.

1983 Department of Management Analysis and Systems Development Management Consulting Division's *State Water Control Board Organization and Management Study*

In 1982, the Secretary of Commerce and Resources asked the Management Consulting Division of the Department of Management Analysis and Systems Development (MASD) to conduct a broad study of SWCB. The intent of the study was to define operating practices, procedures, and structures, and to identify reasons for weaknesses.

Like JLARC, MASD found that SWCB had not developed an integrated, continuous agency planning process, and thus many programs and activities were crisis-oriented. Furthermore, according to MASD, SWCB management appeared to lack the management discipline necessary to deal with priority administrative problems and public relations concerns. MASD also found a lack of integrated financial and manpower planning that was creating workload imbalances and threatening programs concerning groundwater and the Chesapeake Bay.

Major recommendations of the MASD study included: consideration of consolidating SWCB and other environmental agencies into one broad environmental agency; development of an effective, long-range planning process for SWCB; and a streamlining of the administrative procedures for processing National Pollution Discharge Elimination System (NPDES) permits.

1984 JLARC Series on *The Organization of the Executive Branch of Virginia*

House Joint Resolution 33 of the 1982 General Assembly directed JLARC to “study the organization of the executive branch for the purpose of determining the most efficient and effective structure.” In *An Assessment of Structural Targets in the Executive Branch of Virginia*, JLARC recommended that the State Water Control Board, Air Pollution Control Board, Division of Mined Land Reclamation of the Department of Conservation and Economic Development, Council on the Environment, and VDH’s regulation of wastewater treatment facilities, Bureau of Toxic Substances Information, and Bureaus of Solid and Hazardous Waste be combined into one agency. JLARC also presented the option of the State housing all natural resource management and environmental regulation activities under one agency. This broad agency would have incorporated functions in forestry, game, fisheries, marine resources management, environmental regulation, and soil conservation.

1992 Secretary of Natural Resources’ Report to the General Assembly

In November 1992, the Secretary of Natural Resources issued a report to the General Assembly entitled *The Department of Environmental Quality: Environmental Management for the Twenty-First Century*. This report addressed the proposed creation of DEQ through the merger of DAPC, DWM, SWCB, and COE, and the efficiencies that the consolidated environmental agency would produce. The report concluded that the climate at DEQ would be one of “enhanced technical assistance, public service and pollution prevention...” Specifically, the report from the Natural Resources Secretariat listed seven capabilities the consolidated environmental agency would have that the four separate agencies that were merged into DEQ did not have. These were:

- one-stop permitting through an office of permit assistance that would also provide technical assistance to businesses and local governments on the regulatory process;
- clear performance expectations and timetables for permitting;
- expanded policy analysis that would allow more comprehensive evaluation of economic consequences and environmental impacts of agency decisions;
- additional opportunities for public participation in agency decision-making, including the creation of a permanent Citizens’ Advisory Group that would report to the agency director;
- enhanced public communication and environmental education capabilities;
- seven consolidated regional offices that would be delegated more powers to make decisions; and

- development of pollution prevention as an overriding agency strategy, and coordinated regulatory programs that limit the transfer of pollution from one medium of the environment to another.

The Secretary's report emphasized that these new capabilities would be possible without increases in either budget or staff. Further, savings would be realized through economies of scale and the elimination of duplicate positions. The report did not propose any staff reductions in the merger; savings from elimination of duplication were to be reallocated to new program directions within the agency. It was apparent from the report that a major goal of the consolidation of environmental agencies into DEQ was a streamlining of the permitting process for the regulated community.

1994 Governor's Commission on Government Reform

The Governor's Commission on Government Reform was charged with reviewing all the functions of State government through Executive Order One (1994). In its examination in the area of natural resources, the Governor's Commission had a number of findings and recommendations regarding DEQ:

- The agency's standard for the length of time for processing a permit should be set at 75 percent of a current reference or average time.
- The Virginia Total Accelerated Cleanup Program (a voluntary cleanup program) should be established.
- All natural resource policy should include a risk assessment in order to provide a dependable scientific and economic base for addressing environmental problems effectively and efficiently.
- DEQ should move from a "command and control" approach to solving environmental problems to an "empowerment approach" where employees and customers have flexibility in implementing solutions that fully meet State environmental standards.
- DEQ should consider all possible methods of consolidating the permit process, including "one-stop-permit shops."

Some of the recommendations made by the Governor's Commission on Government Reform appear to have been implemented in the recent reorganization of DEQ. For example, risk assessments are now utilized in the State's Underground Storage Tank Program to determine if remediation is necessary. Also, regional empowerment has been a defining concept of the reorganization at DEQ during 1995. Further, language in the 1995 Appropriation Act provides that DEQ shall establish a performance standard for permitting processing time at 75 percent of the current average, as was recommended by

the Commission. Finally, legislation was also passed by the 1995 General Assembly to implement a voluntary cleanup program in the Commonwealth.

1995 JLARC Study: *Solid Waste Facility Management in Virginia: Impact on Minority Communities*

In 1993, the General Assembly approved House Joint Resolution 529 directing JLARC to study practices related to the siting, monitoring, and clean-up of both hazardous and non-hazardous solid waste facilities. While the specific focus of this study was on these activities' impact on minority communities, JLARC also looked at the role of DEQ in oversight of the solid waste program.

The JLARC report found significant gaps in DEQ's central office oversight, as well as problems in the solid waste inspection program administered by regional staff. Among the causes of these problems, the JLARC report cited staff shortages among inspectors, lack of central office guidance, and an inefficient and weak enforcement process for solid waste issues. To address these problems, the JLARC report recommended:

- DEQ, in consultation with the Virginia Association of Counties and the Virginia Municipal League, should develop a technical assistance guide for local governments on the process for siting solid waste management facilities.
- DEQ should improve its oversight program of groundwater monitoring and landfill closure requirements by developing a more vigorous reporting system.
- The Solid Waste Management Regulations should be amended to provide more specific guidance regarding the hazardous waste inspection programs at solid waste management facilities.
- DEQ should conduct a workload analysis for each region and determine the number of inspectors needed to successfully implement its inspection program.
- DEQ should standardize the inspection process by establishing a notice of violation point system.
- DEQ should look at developing an automated management information system to electronically monitor inspection activity and to provide updated information on the compliance status of each solid waste management facility in the State.
- DEQ should develop a plan to identify all inactive landfills which are in violation of State closure regulations so that these sites can be officially closed and routinely monitored.

JLARC REVIEW

This report presents interim staff findings and recommendations regarding the reorganization of DEQ. Its primary intent is to provide the General Assembly, DEQ management, and the Secretary of Natural Resources with useful information on the department's reorganization. The research for the interim review was conducted between June 1995 and October 1995.

Study Issues

This phase of the JLARC review concentrated on the agency's reorganization. JLARC staff emphasized the reorganization during this phase of the review, because the reorganization has substantially revised DEQ's approach to the program areas that will be studied in the second phase of the review. In examining the reorganization, JLARC staff identified three major research issues:

- What planning and analysis was conducted to guide the reorganization of DEQ and was this planning and analysis adequate for effectively implementing the reorganization?
- What are DEQ employees' perceptions of the reorganization of the agency?
- What concerns, if any, are identified about DEQ's implementation of the reorganization?

JLARC staff studied DEQ's planning process for the reorganization because sound planning is an important part of effectively and efficiently implementing significant organizational change. Similarly, the degree to which employees of an organization "buy into" organizational change can be an important determinant of whether the organizational change succeeds as intended by management. Finally, JLARC's review of the reorganization of the Department of Education in 1991 identified several concerns about the reorganization's impact on the agency in particular and the State personnel system in general. JLARC staff conducted a similar review of DEQ's implementation of its reorganization to determine whether aspects of the reorganization raise issues of potential concern to the General Assembly.

Research Activities

Three types of research activities were conducted to address the study mandate. These were: (1) in-person structured interviews, (2) a mail survey of DEQ headquarters and regional staff, and (3) document and data review. Each of these activities is discussed in more detail below.

Structured Interviews. Structured interviews were held with the DEQ director and DEQ staff from headquarters and the six regions. Structured interviews were primarily conducted with DEQ management and supervisory staff, although some non-supervisory staff were also interviewed. Structured interviews were also held with the current Secretary of Natural Resources, former Secretary of Natural Resources, the former director of DEQ, and staff from the Division of Purchases and Supplies of the Department of General Services, the Chesapeake Bay Foundation, and the Virginia Manufacturers Association.

Employee Survey. JLARC staff administered a mail survey to DEQ employees. This type of survey, with a number of the same questions, has been used in previous JLARC management studies of the Department of Education (1991), the Department of Taxation (1992), and the Department of Personnel and Training (1993). This survey was sent to 145 randomly selected grade 13 or below DEQ employees from the six regions and DEQ headquarters, as identified from organization charts provided to JLARC by DEQ on September 1, 1995. This survey solicited employee perceptions of DEQ prior to and during the reorganizations begun in the fall of 1994.

Before drawing the sample, DEQ staff were stratified into eight different categories to ensure substantial representation of personnel from each substantive unit of the organization. Headquarters staff were divided into two groups, administrative staff and technical staff, and each of the six regions was treated as a separate unit. Thus, the eight units were: (1) headquarters administrative staff, (2) headquarters technical staff, (3) Southwest regional staff, (4) West Central regional staff, (5) Valley regional staff, (6) Northern Virginia regional staff, (7) Tidewater regional staff, and (8) Piedmont regional staff. Staff from each of the eight organizational units deemed primarily to have administrative duties were given a condensed version of the survey mailed to technical staff.

In general, the number of people randomly sampled for each stratum was in proportion to the number of persons employed by each branch. One exception was that headquarters technical staff were over-sampled for separate comparison, but their responses were weighted so that all staff had the appropriate impact on calculations of agency-wide percentage results. As a whole, the sample represented approximately 30 percent of all grade 13 or below DEQ employees, according to the organizational chart provided to JLARC from DEQ on September 1, 1995. A total of 127 of the 145 surveys administered were returned for a response rate of approximately 88 percent. Appendix D includes both survey instruments and shows total responses for each option presented by each question on the two survey instruments. In the second phase of this study, another survey will be administered to a sample of DEQ employees to assess whether any changes have occurred in employee perceptions.

Document and Data Review. A number of documents were examined which dealt with DEQ's authority and responsibilities, its previous organization, and its plans to reorganize. These included personnel records, organization charts, internal planning and workload documents, and transcripts of public statements by DEQ management.

Also, the *Constitution of Virginia* and the *Code of Virginia* were reviewed for sections relevant to DEQ and the four agencies that had been merged in the formation of DEQ. For budget information, current and past Appropriation Acts were examined. Internal DEQ documents and files were also reviewed. Finally, general literature on environmental programs was reviewed for background purposes, as was literature on organizational structures and reorganizations.

REPORT ORGANIZATION

This report is organized into three chapters. This chapter has provided a brief introduction to the previous reviews relating to DEQ and the scope of this review. Chapter II presents a more detailed overview of the formation of DEQ and discusses the recent phases of reorganization at DEQ starting in the summer of 1994 and continuing to the present. Chapter III concludes the report with an assessment of the organizational and operational changes that have already taken place at DEQ, and a presentation of issues to be addressed in phase II of this review.

II. Creation of DEQ and Subsequent Organizational Changes

The Department of Environmental Quality (DEQ) was created by the 1992 General Assembly, which approved House Bill 1053, merging four State environmental agencies: Department of Air Pollution Control (DAPC), Department of Waste Management (DWM), State Water Control Board (SWCB), and Council on the Environment (COE). DEQ began operation April 1, 1993.

DEQ was created as a result of efforts by the last administration, particularly the Secretary of Natural Resources, to improve cooperation among environmental regulatory agencies and streamline permitting procedures and time frames. DEQ was also supposed to create a more coordinated set of environmental regulations. This coordination was expected to help citizens, businesses, and municipalities navigate the regulatory system more efficiently. As a result, the environment would be better protected. Part of this coordination and streamlining was the concept of "one-stop permitting," a single location where the owner of a source of pollution could obtain all the required permits for the source of pollution. It was argued that a consolidated environmental agency would be able to speed up the processing of permits which was perceived as a major weakness of the existing system.

DEQ has gone through four major organizational phases since its creation in April 1993. The first phase lasted from the agency's creation in April 1993 until the appointment of a new agency head by the Governor in June 1994. The second phase began with the current DEQ director's appointment and lasted until September 1, 1994 when regional directors were appointed for each of DEQ's six newly created regions. The third phase ran from September 1994 until April 1995, when a major reorganization of headquarters staff, including 17 layoffs, was announced. As part of this reorganization, significant responsibilities and authority were decentralized to DEQ's six regional offices. DEQ entered the fourth phase of its organizational evolution in May 1995. This phase has been characterized by further decentralization of programs and responsibilities to the regional offices as well as plans to privatize and out-source some functions now performed by State employees. Figure 1 shows a time-line of major organizational changes at DEQ since the new director was appointed.

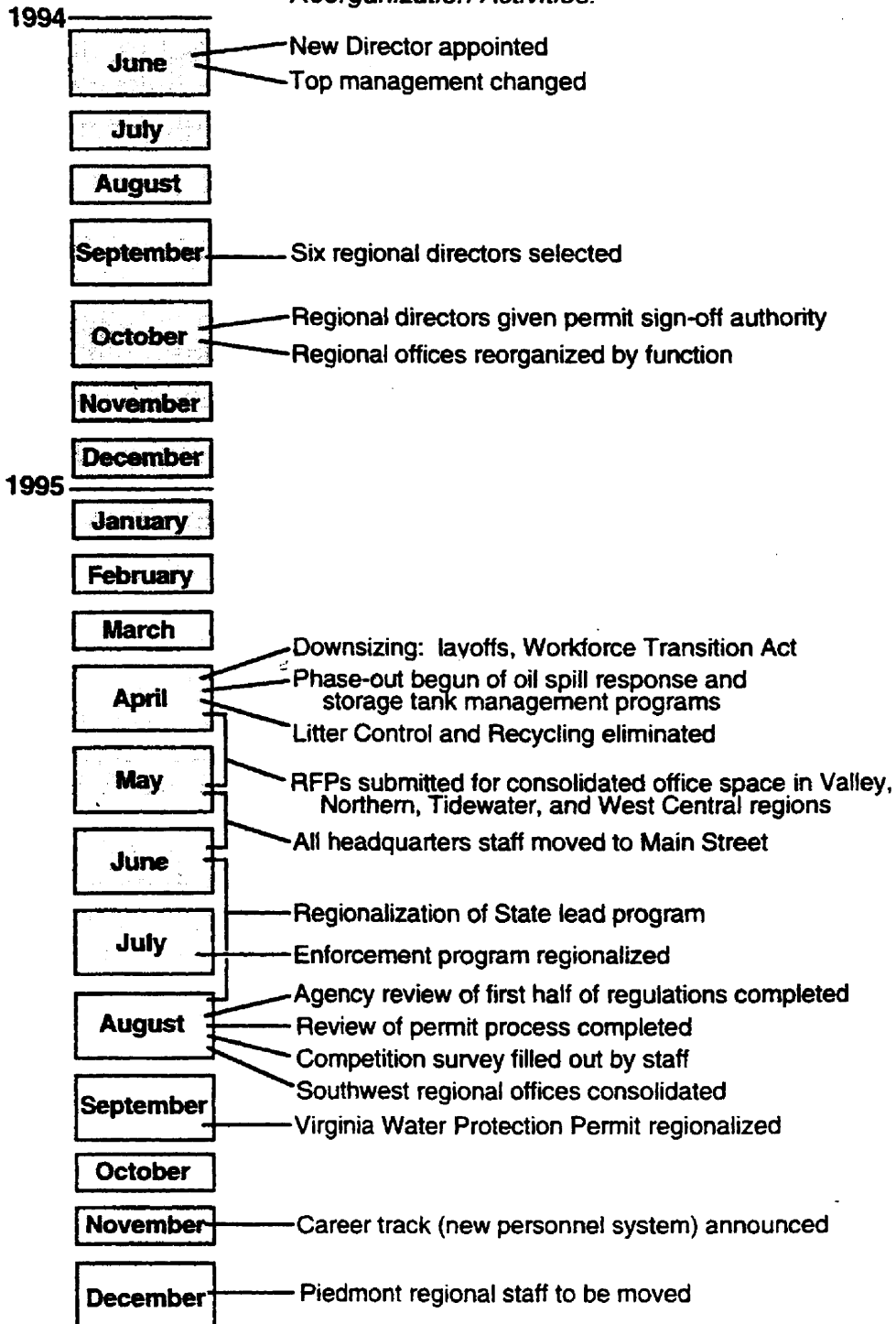
BACKGROUND OF AGENCIES MERGED INTO DEQ

The Department of Environmental Quality was formed in 1993 through the merger of four existing environmental agencies. The largest of these agencies in staffing and funding was the SWCB. The other merged agencies included DAPC, DWM, and COE. COE was by far the smallest of the four agencies in staffing and funding.

Figure 1

Timeline of DEQ's Reorganization

Reorganization Activities:



Note: Many of the activities shown were concurrent. Accuracy of chart is limited to the month activity was begun or completed.

Source: JLARC staff interviews with DEQ employees; JLARC review of DEQ correspondence.

The State Water Control Board

Prior to the creation of DEQ, SWCB was the focal point for the Commonwealth's water resource management programs. The SWCB's pollution control program was initiated in 1946. Over the years, this program evolved to encompass aspects of water resource management other than pollution control.

The most significant directional change at SWCB was due to the Federal Water Pollution Control Act Amendments of 1972 (commonly known as the Clean Water Act). With the Clean Water Act, SWCB was charged with bringing Virginia waters in compliance with new uniform national water quality standards. This new responsibility also entailed a greater emphasis on the broader concept of water resources management, rather than SWCB's traditional focus on pollution control. Thus, the staff of SWCB experienced significant growth as appropriations and personnel from other agencies involved in water resources planning, such as the Division of Water Resources of the Department of Conservation and Economic Development, were combined into SWCB.

In FY 1992, SWCB had a total appropriation of \$83.8 million (more than 50 percent in non-general funds) and a maximum employment level (MEL) of 413. SWCB was merged into DEQ in 1993. The SWCB remains intact, with its staff in DEQ. It is a seven member citizen board appointed by the Governor and confirmed by the General Assembly for four year (staggered) terms.

The Air Pollution Control Board/Department of Air Pollution Control

The State Air Pollution Control Board was established by the General Assembly in 1966 in response to a study conducted by the Virginia Advisory Legislative Council in 1965. The purpose of the board was to facilitate the:

achievement and maintenance of such levels of air quality as will protect human health, welfare and safety and to the greatest degree practicable prevent injury to plant and animal life and property and which will foster the comfort and convenience of the people of the Commonwealth and their enjoyment of life and property and which will promote the economic and social development of the Commonwealth and facilitate enjoyment of its attractions.

The staff of the Air Pollution Control Board became the Department of Air Pollution Control in 1988 with the passage of Senate Bill 239.

With the passage of the federal Clean Air Act and the establishment of the Environmental Protection Agency (EPA) in 1970, a strong federal-state program was initiated with EPA setting national ambient air quality standards. The states were then asked to develop implementation plans to meet the standards.

The added responsibilities that the Clean Air Act delegated to the State forced the Air Pollution Control Board to grow significantly. In 1967, when the first Air Pollution Control Board was appointed, there were two employees and a \$16,800 budget. In FY 1992, the Department of Air Pollution Control had a MEL of 183 and a total appropriation of \$8.9 million. The Department of Air Pollution Control was merged into DEQ in 1993. Currently, the Air Pollution Control Board continues to operate with the assistance of DEQ staff. The Air Pollution Control Board is composed of five members appointed by the Governor for four year staggered terms.

The Department of Waste Management

Prior to 1971, the State did not play an active role in the regulation of waste disposal in Virginia. Ordinances adopted by city councils and county boards of supervisors, and health regulations implemented by local health departments were the only restrictions placed on those involved in waste management in Virginia. This changed in 1971 when the State issued a set of waste regulations and designated VDH to implement these regulations. As open dumping was expressly prohibited, the regulations were to be implemented through a permitting process whereby VDH included requirements for cover, access to the facility, control of paper and dust, pest and animal control, and fire prevention. Hazardous waste disposal was also to be prohibited.

Solid waste disposal regulations were revised in 1979 when the General Assembly required all waste management facilities that were not permitted to get a permit or cease operating. In 1986, the State's waste management regulations were revisited as concern for environmental protection increased nationally. The 1986 General Assembly enacted the Virginia Waste Management Act, which established a separate Waste Management Board and a Department of Waste Management (DWM). In 1988, the State adopted the Solid Waste Management Regulations which established comprehensive criteria governing the siting, design and construction, operation, and closure of solid waste management facilities.

In FY 1992, DWM had a total appropriation of \$10.2 million (more than 50 percent in non-general funds) and a MEL of 124. In 1993, DWM was merged into the new Department of Environmental Quality. While the Waste Management Board retained its statutory responsibilities, it did not retain staff other than that in DEQ. The Waste Management Board continues to operate in the new DEQ and is composed of seven Virginia citizens appointed by the governor for four year (staggered) terms.

The Council on the Environment

The Council on the Environment was created by the General Assembly in 1972 by adding §§10-176 through 10-185 to the *Code of Virginia*. This agency became operational in 1974 with the amendment and re-enactment of §§2.1-51.9, 10-181, 10-183, and 10-185. Specifically, the Council was charged with:

- developing uniform management and administrative systems to assure coherent environmental policies;
- taking necessary steps to promote the efficiency of management and to coordinate administrative practices;
- consolidating, coordinating, and expediting the permit review process;
- coordinating the preparation of a joint environmental agency's budget; and
- preparing and submitting annual environmental and management reports to the Governor and the General Assembly.

The Council was to be composed of nine members and an administrator, all of whom were to be Virginia citizens. Three of the members were to be appointed by the Governor on the basis of merit. The other six members were originally to be the chairmen of the State Water Control Board, the Air Pollution Control Board, the Board of Conservation and Economic Development, the Game and Inland Fisheries Commission, the Marine Resources Commission, and the Commissioner of Health. The Administrator of the Council was to serve as chairman.

The Council on the Environment was appropriated approximately \$84,000 in FY 1975. In FY 1992, just prior to the merger into DEQ, the Council had a budget of \$2.7 million (less than half in general funds). The Council was merged into DEQ in 1993. Unlike its counterparts in air, water, and waste, whose boards still exist with staff support from DEQ, the Council is no longer in existence, although some of its former staff remain in DEQ.

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CREATION OF DEQ AND INITIAL AGENCY OPERATIONS

Planning for the creation of DEQ was accomplished through consultation with environmental, industry, municipal, and other affected groups. Implementation of the plan for creating DEQ was delayed for one year by the 1992 General Assembly. DEQ's initial operations faced challenges of combining different agency cultures and consolidating agency operations.

Planning for the Creation of DEQ Involved Significant Outside Input

Legislation was passed in 1992 to create DEQ, but the legislation did not become effective until 1993. The Secretary of Natural Resources was directed to develop an implementation plan before DEQ would actually begin operation. Section 10.1-1182 of the *Code of Virginia* created DEQ and established 11 purposes of the agency:

1. To assist in the effective implementation of the *Constitution of Virginia* by carrying out State policies aimed at conserving the Commonwealth's natural resources and protecting its atmosphere, land, and waters from pollution.
2. To coordinate permit review and issuance procedures to protect all aspects of Virginia's environment.
3. To enhance public participation in the regulatory and permitting processes.
4. To establish and effectively implement a pollution prevention program to reduce the impact of pollutants on Virginia's natural resources.
5. To establish procedures for, and undertake, long-range environmental program planning and policy analysis.
6. To conduct comprehensive evaluations of the Commonwealth's environmental protection programs.
7. To provide increased opportunities for public education programs on environmental issues.
8. To develop uniform administrative systems to ensure coherent environmental policies.
9. To coordinate State reviews with federal agencies on environmental issues, such as environmental impact statements.
10. To promote environmental quality through public hearings and expeditious and comprehensive permitting, inspections, monitoring, and enforcement programs, and provide effective service delivery to the regulated community.
11. To advise the Governor and General Assembly, and, on request, assist other officers, employees, and public bodies of the Commonwealth, on matters related to environmental quality and the effectiveness of actions and programs designed to enhance that quality.

The Secretary of Natural Resources assembled a task force to develop an implementation plan for DEQ. The group consisted of the directors of the four affected agencies, staff from the four agencies, and staff from seven other State agencies. Citizen input was gathered from six public meetings and a Citizens' Advisory Group. These efforts culminated in the Secretary's 1992 report to the General Assembly. In addition to the five benefits expected from the creation of DEQ, which are enumerated in Chapter I, the Secretary's 1992 report emphasized the idea of "one-stop permitting." The report stated, "this means that a permittee need only confer with one regional office and communicate with a single person, the permit coordinator, on all applicable permits. It does not mean single, consolidated permits for any and all regulated media." The

Secretary believed that this type of permitting would make the process of issuing permits more efficient, more protective of the environment, and more user-friendly.

The implementation plan estimated that 883 full-time employees would be needed to appropriately staff DEQ. The plan did not predict or promise layoffs or staff reductions from any of the four predecessor agencies as a result of the reorganization. The plan stated that streamlining would be achieved by eliminating some position redundancies, but it suggested that any resources made available as a result of this effort would be re-allocated to areas where they were needed. The report suggested that potential areas of need were permitting assistance and environmental education.

DEQ's Integration as an Agency Was Not Complete When Agency Management Was Replaced

The Secretary of Natural Resources' November 1, 1992 report to the General Assembly stated that the complete coordination and consolidation of the State's primary environmental agencies would take two to three years from its start in April 1993. As of January 1994, at the change of administrations, little had changed with the State's administration of environmental policy as a result of the merger of four environmental agencies to form DEQ.

All the regional and satellite offices of DEQ's predecessor agencies were still open at the change of administrations, with a total of 15 regional offices remaining open (seven air offices, six water offices, and two waste offices). Each environmental medium retained a director, its staff from before the merger, and its own citizen advisory board.

One of the primary objectives in creating DEQ was to streamline the permitting process. In July 1993, a step was taken to streamline the process, as DEQ established timetables within which permits should be completed. However, the Secretary of Natural Resources at the time of DEQ's creation wanted to create a system in which a company requiring a permit could contact just one representative from DEQ who would coordinate a company's permitting needs. This goal was not accomplished for a number of reasons. For example, until September 1994 there were separate regional directors (in separate locations) for air, water, and waste. Therefore, if a source was going to emit pollutants into both the air and water, the source's owner had to contact at least two individuals. Also, during this time frame most water and air permits had to be approved by headquarters in Richmond, and the drafting and approval of all waste permitting took place at headquarters.

Another goal of DEQ was to have more public participation in the permitting process. A permit assistance unit was created within DEQ to assist permittees as well as citizens with their concerns about the permitting process, and the air division developed a database for tracking permit progress. By the end of the previous administration some steps had been taken to improve the permitting process, but the goal of "one-stop permitting" had not been realized. It was also too soon to see if these changes had resulted in more efficient completion times for permits or better customer service.

The creation of DEQ was also supposed to lead to more in-depth policy analysis. It was anticipated that the accomplishment of this goal would lead to improved pollution prevention policies, more regional input, and more efficient regulations. It is not clear whether this goal was achieved. However, the 1995 executive budget recommended substantially reducing DEQ's policy and research staffs. The 1995 General Assembly concurred in this recommendation.

The most evident reason the previous administration was unable to fully implement the goals established with the creation of DEQ is the lack of time available between when DEQ was created in April 1993 and when the new administration took office in January 1994. In addition, initial operations of DEQ appeared to be hampered by the need to physically consolidate agency staff, who were located in several different offices in Richmond.

INITIAL CHANGES MADE BY DEQ'S CURRENT MANAGEMENT

A new agency head was appointed for DEQ in June 1994. From June to September 1994 the first phase of DEQ's reorganization took place. The new DEQ director made several changes in agency staffing, primarily affecting top management, soon after he was appointed. In addition, the DEQ director has indicated that the effort to reorganize DEQ began when the new administration took office, and was intended to achieve two goals: (1) to make DEQ a "cost-effective, efficient organization, which could address environmental concerns with a multi-media approach", and (2) to make DEQ more service oriented.

The director concluded that a major change in DEQ's structure was needed to accomplish these goals. This change involved significant decentralization of authority to DEQ's regional offices. In explaining the rationale for decentralization, the director has stated:

Our core functions—permitting and compliance—are performed primarily by the regions who are closest, both geographically and with respect to frequency of interaction, to our constituents. Giving them more autonomy and reorienting headquarters to provide technical support and quality control makes sense. Such an arrangement allows each component to focus on what it does best. It gives the regions authority to go along with the responsibility they have always had, and it allows headquarters to concentrate on developing and applying policy and technical consistency.

Staff Changes Were Made Shortly After the Current Director Was Appointed

DEQ's director began making organizational changes early in his tenure. During his first month at DEQ, the new director eliminated four vacant positions and removed

five employees using Senate Bill (SB) 643, which allowed certain employees to be removed at the "pleasure and will" of the agency head. The five employees removed using SB 643 included: two deputy directors, the director of administration, a management analyst, and the West Central air regional director.

A new group of employees was hired into DEQ headquarters during this same time frame. Many of these individuals came into the agency using temporary (wage) hiring authority. Six of the nine employees brought in on a temporary basis shortly after the appointment of the new agency head were later hired as full-time employees.

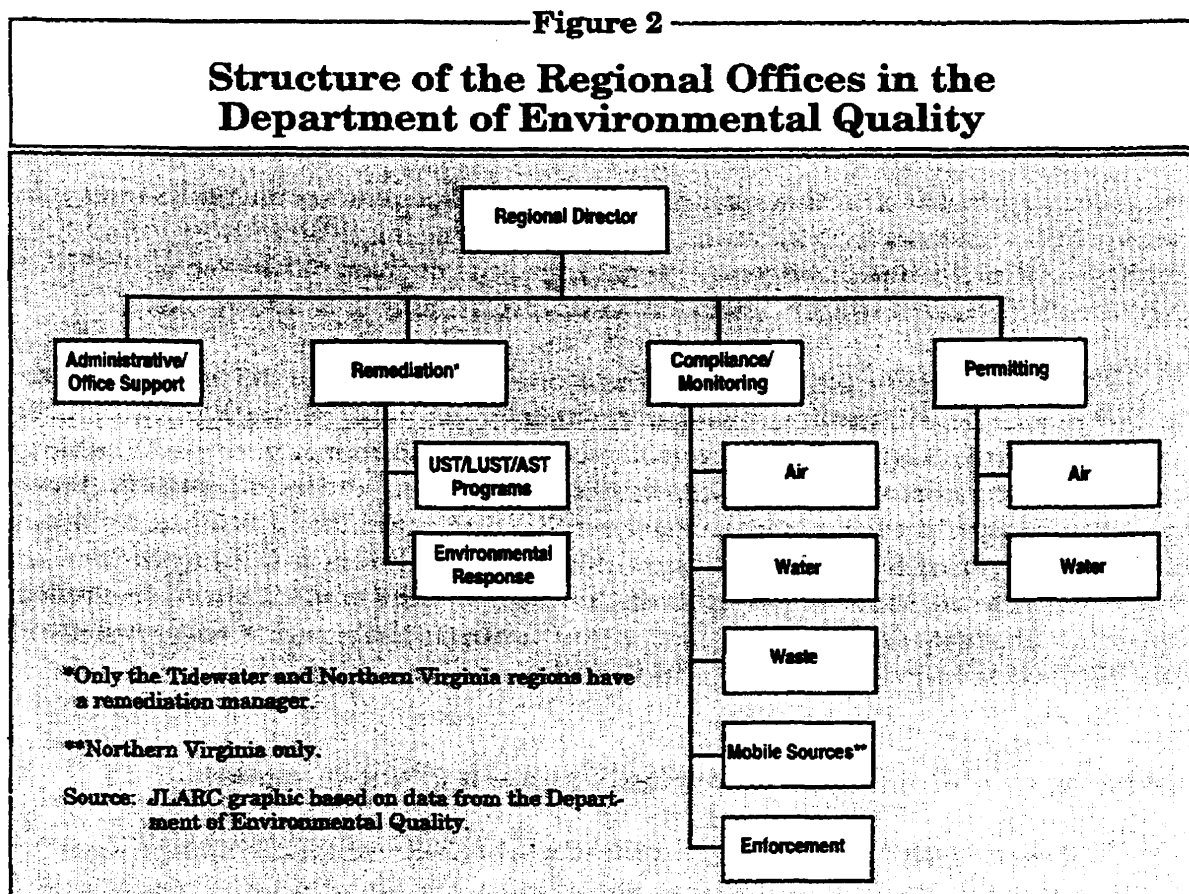
The second major action taken by the new director was to begin the reorganization in the regions. The director created six "super" regional director positions. The individuals hired for these positions would oversee the air, water, and waste issues for the regions they were assigned to. The number of DEQ regions also decreased from seven to six, and the goal was set to reduce the number of DEQ offices from 15 separate regional offices to six regional offices and three satellite offices. The new DEQ director also reorganized part of the regional structure by function instead of the traditional organization by environmental medium. Both of these changes in the regions were designed to help DEQ better serve the agency's "customers."

Consolidation of Regional Offices Has Begun but Is Not Complete

The new director of DEQ wants the regions to be the focus of DEQ's activities. He believes that efficiently functioning regional offices are fundamental to the success of DEQ, because it is in the regional offices where the agency's clients are served. The agency's clients are viewed as both citizens and the regulated community. Agency management indicated that there is a new emphasis on responsiveness to the regulated community. To accomplish the goal of serving DEQ's customers more efficiently and effectively, initiatives have been made to consolidate regional offices, appoint one director per region, and organize the regional offices by function.

Appointment of Six Regional Directors. One of DEQ's current objectives is to empower the regional offices. DEQ began this process by consolidating regional operations in September 1994. When regional offices were organizationally consolidated, six new regional directors were appointed to oversee all media in the regional offices. The six new regional directors replaced the previously existing 15 regional directors. Each of the six newly chosen regional directors had been a regional director for one of the media (four had been air regional directors and two had been water regional directors). All of the newly appointed regional directors are long-time State employees, having between 15 and 30 years of State service each.

Reorganization by Function. As part of the overall DEQ reorganization, the regional offices were restructured around functional lines: compliance/monitoring, permitting, and in some cases remediation. This organization replaced the previous media-based organization where separate offices were maintained for air, water, and waste. Figure 2 shows the current organization of a DEQ regional office.



This change in organizational structure for the regional offices was deemed an effective way of better serving the regulated community by DEQ management, because members of the regulated community often require permits or some other type of assistance that involves more than one medium. Organization by function was also seen as a method of encouraging staff to work together to help create solutions for problems that exist across media. DEQ management also has a long-term goal that, with sufficient cross-training, permit writers and inspectors will be proficient in more than one medium so that staffing will be more flexible, and therefore, more efficient.

RFPs for New, Consolidated Office Space. As of July 1995, all fifteen regional office locations remained in operation, although they have been consolidated into six regions for reporting purposes, with as many as four offices reporting to one regional director. Four DEQ regions whose staff are spread out among several offices have issued RFPs for leased space to consolidate the given region into one facility, but they have not yet moved into new offices. These regions do not expect this consolidation process to be complete until the Summer of 1996, at the earliest. Even after the six regions are consolidated, the three satellite offices in Fredericksburg, Kilmarnock, and Lynchburg will remain open (Figure 3). The DEQ Abingdon regional office staff moved into a consolidated office on August 1, 1995.

Figure 3
DEQ Regional Offices

<i>DEQ Region</i>	<i>Current Offices</i>	<i>Planned Consolidation Date</i>
Tidewater (to consolidate in VA. Beach)	Virginia Beach—Air Virginia Beach—Waste Chesapeake—Water	Summer 1996 Summer 1996 Summer 1996
Piedmont	Richmond (Innsbrook) Kilmarnock	Consolidated 1993, but staff will move to new office space by January 1, 1996 Will remain open
Valley (to consolidate in Bridgewater)	Bridgewater (staff located in two different, nearby buildings)	Summer 1996
Northern Virginia (to consolidate in Woodbridge)	Springfield—Air Fredericksburg—Air Lorton—Mobile Site Woodbridge—Water	Summer 1996 Will remain open Summer 1996 Summer 1996
West Central (to consolidate in Roanoke)	Roanoke—Air Roanoke—Water Roanoke—Waste Lynchburg—Air	Summer 1996 Summer 1996 Summer 1996 Will remain open
Southwest	Abingdon (all media)	Consolidated August 1995
Source: JLARC staff interviews with DEQ regional directors and director of administration.		

Piedmont regional office staff have been located in a single facility since 1993, but since July 1995 staff have only occupied 25 percent of the office space being leased at the Innsbrook office park in Henrico county. The office space became 75 percent vacant due to several factors including vacancies created by the WTA and layoffs. However, the primary factor contributing to the vacancy was the move of all headquarters' staff from Innsbrook to DEQ's office space in downtown Richmond. This move was initiated by the director because he wanted all headquarters' staff at one location. An area business has agreed to take over the lease of all the Innsbrook office space starting January 1, 1996. DEQ would still hold the lease on the warehouse space they have at Innsbrook. The agency is planning to have the warehouse space converted to office space for the Piedmont staff who will be displaced by the sublease.

REGIONALIZATION OF AGENCY PROGRAMS AND DOWNSIZING OF AGENCY STAFF

The third phase of DEQ's reorganization began in April 1995 and is ongoing. This phase of the reorganization continued decentralization of the agency's programs and

responsibilities to the regional offices. In addition, during this phase of the reorganization substantial staff reductions occurred. The agency also has been reviewing its regulations and permitting processes as part of a general restructuring of the way that the agency carries out its responsibilities.

In April 1995, DEQ's headquarters reorganization plan was announced. The reorganization plan indicated that DEQ intended to achieve the following by reorganizing and downsizing headquarters staff:

- empowerment of the regional offices,
- substantial reductions in headquarters staff,
- cross-training technical employees,
- re-examining the agency's regulations,
- privatizing some of the agency's functions, and
- establishing quantifiable performance measures.

Since the reorganization plan was announced in April 1995, DEQ has conducted reviews of its regulations and its permitting process with an eye towards streamlining both. In addition, since the April reorganization was announced, DEQ management has continued to decentralize programs to the regional offices. In addition, DEQ required all employees to complete a "competition survey," which asked employees to identify ways to make DEQ more efficient and effective, such as privatization of existing programs or transfer of responsibilities to other agencies.

Downsizing Has Substantially Reduced Agency Staff

DEQ management and the Secretary of Natural Resources argue that there should have been savings realized from the elimination of duplicative positions when DEQ was created. To this end, the 1995 Executive Budget proposed to reduce DEQ's maximum employment level (MEL) from 1,034 to 793. This was approved by the 1995 General Assembly. Like most State agencies, DEQ actually functioned with fewer employees than the agency MEL. Consequently, agency management staff estimated the needed staff reductions at approximately 120. An executive-branch hiring freeze led to some staff reductions at DEQ through attrition as most positions that became vacant were not refilled.

In order to further downsize DEQ's workforce, the April 1995 reorganization involved the layoff of 17 employees. An additional 71 DEQ employees accepted the voluntary separation component of the Workforce Transition Act (WTA). In all, 88 employees left the agency voluntarily or involuntarily during the April reorganization (Table 1). One employee had been laid off in October 1994 and an additional two employees were laid off in August 1995. DEQ's human resources officer stated that the agency's staffing level as of October 1, 1995 is 651 full-time classified employees and approximately 62 non-classified (primarily wage) employees.

Table 1

**Impact of April 1995 Layoffs and WTA
on DEQ Divisions and Regions**

<i>Division / Region</i>	<i>Number of Layoffs</i>	<i>Number of WTA Voluntary Separations</i>	<i>Total Number of Staff Reductions</i>
Human Resources	2	3	5
Public Affairs	1	4	6
Enforcement	0	1	1
Policy	1	5	6
Administration	1	6	7
Water Division	7	20	27
Waste Division	2	10	12
Air Division	4	6	10
Regional Offices	0	15	15
Total	18	70	88

Note: One additional public affairs staff member had been laid off in October 1994; One additional enforcement staff member and one additional water division staff member were laid off during the summer of 1995 as a result of program decentralization.

Source: JLARC analysis of DEQ listing of individuals who were laid off or accepted the WTA.

During early interviews with JLARC staff, the Secretary of Natural Resources indicated that most of DEQ's reorganization was completed. However, interviews with DEQ's management indicated that future reductions may occur in some areas through privatization or out-sourcing — for example, through a State contract with a private provider who will perform the service for a price. Figure 4 shows the organizational structure of DEQ before and after the agency's latest reorganization.

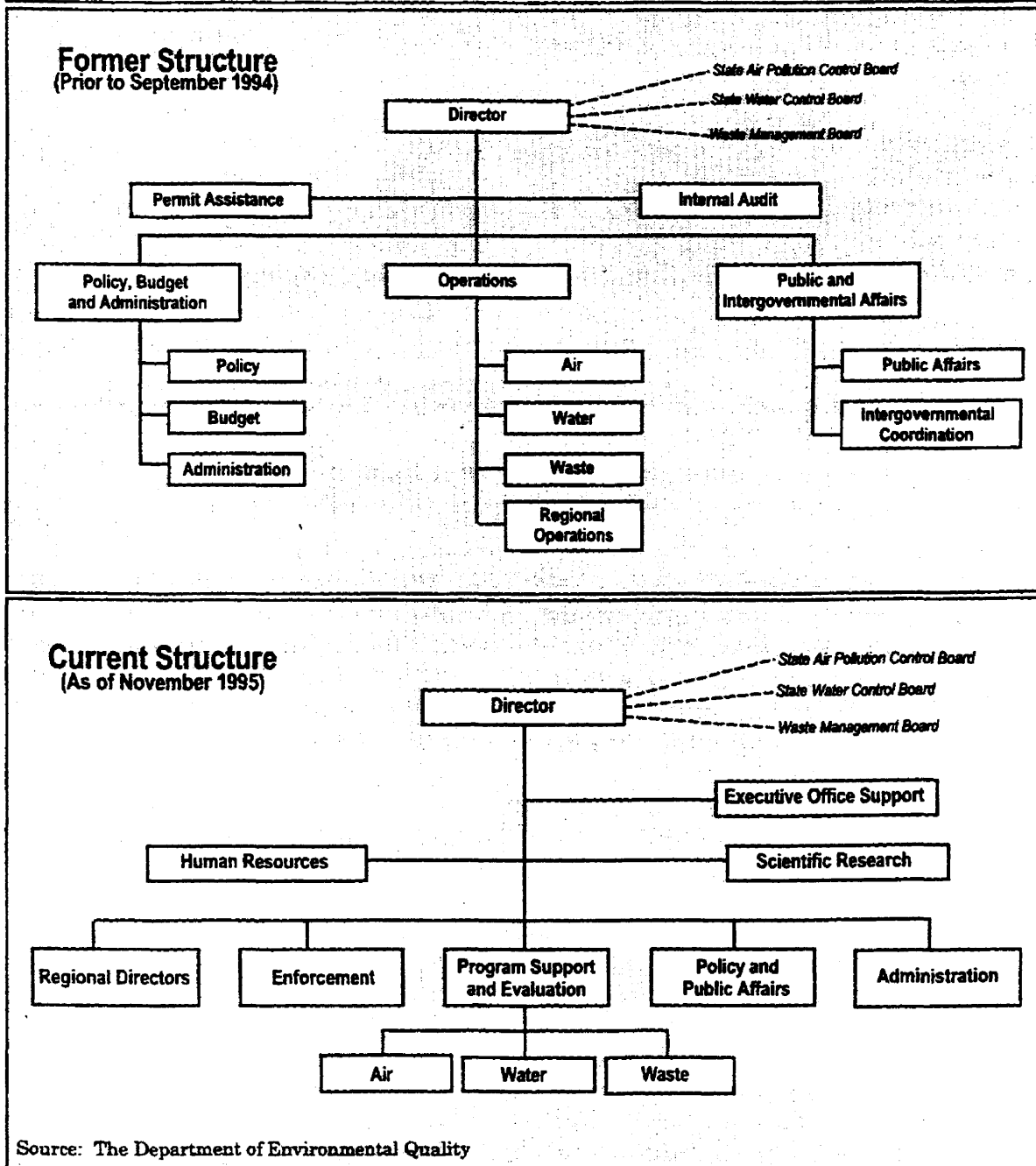
Substantial Staff Reductions Occurred as a Result of the 1995 Budget Process. The 1995 executive budget requested that DEQ's MEL be reduced from the 1,034 positions approved for FY 1996 by the 1994 General Assembly to 793 for FY 1996, a reduction of 241 positions (Figure 5). This proposed reduction was approved by the 1995 General Assembly. However, most of these positions were vacant. For example, the 104 positions deemed necessary to implement the federally-mandated Title V air quality program were never filled. The 241 position reductions included:

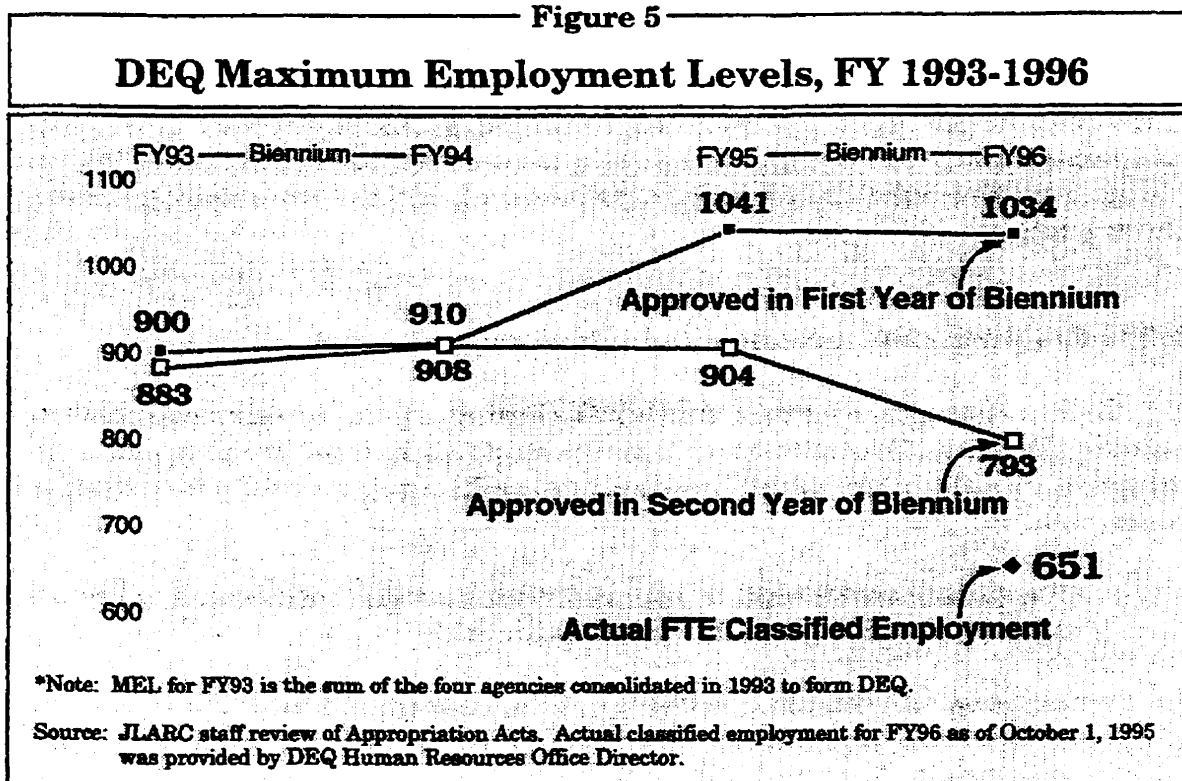
- 104 positions for implementing the Title V air quality permit program,
- 45 administrative and overhead positions in the central office,
- 49 permitting positions in the central office,
- seven emergency response positions,

- four oil response positions in the central office,
- 15 storage tank management positions in the central office,
- five enforcement positions in the central office,
- two monitoring and evaluation positions in the central office,

Figure 4

The Organization of the Department of Environmental Quality





- one public relations position in the central office,
- three policy positions in the central office, and
- six research and planning positions in the central office.

Seventy-one DEQ Employees Voluntarily Left Under the Workforce Transition Act. The 1995 General Assembly approved the Workforce Transition Act of 1995 (WTA). This statute (Chapter 811, *1995 Acts of Assembly*) contained a one-time voluntary separation component, through which State employees received financial incentives to voluntarily separate from employment with the Commonwealth. As noted earlier, 71 DEQ employees accepted this voluntary separation. The WTA generally restricts agencies from filling positions vacated by these employees. In addition, the act requires agencies to fund the severance costs out of the current biennium's appropriation. Severance costs under the WTA include:

- two weeks pay per year of State service, with a minimum payout of four weeks pay and a maximum payout of 38 weeks pay;
- payment for accrued leave in accordance with State policy;
- up to \$5,000 in lieu of unemployment compensation; and
- continuation of the State's share of employee health insurance for one year.

Twenty DEQ Employees Have Been Laid Off. As of October 1, 1995, one DEQ employee had been laid off in October 1994, 17 DEQ employees had been laid off in April 1995, and two employees had been laid off in August 1995. At present, laid off employees are entitled for a period of one year to preferential hiring for positions within the agency which become vacant. Five of these employees had been recalled to positions at DEQ as of October 1, 1995, one employee found a position with another State agency, and one employee retired.

DEQ Is Reviewing its Regulations and Permitting Process

DEQ is reviewing all of its regulations as a result of the Governor's directive in Executive Order 15 (1994) that "state agencies conduct a comprehensive review of all existing regulations, to be completed by January 1, 1997." The purpose of this review is to ensure that:

- regulations are tailored to "achieve the least possible interference in private enterprise and the lives of Virginia's citizens;"
- no regulation remains "in effect if there are less burdensome or less intrusive alternatives available that will satisfy any applicable state or federal legal requirement;"
- regulations will be regularly reviewed; and
- regulations are "clearly written and easily understandable by the individuals and entities affected."

This comprehensive review of regulations was recommended by a subcommittee of the Governor's Commission on Government Reform. DEQ's director stated in an interview with JLARC staff that DEQ staff have completed the first half of the regulatory review and the recommendations have been submitted to the Secretary of Natural Resources' office.

DEQ has also formed three internal task forces to study the permitting process and ways to speed up the processing of permits. These task forces originally caused some media controversy, as they were created with representatives from industry, DEQ, and local government officials, but without representatives from environmental or citizen groups. Representatives from these groups were later invited to participate.

Review of the permitting process is now complete, and an interim report has been released on the work groups' recommendations. Some of the proposed changes include: eliminating the need for "non-essential information" from the permit applicant, requiring that the Public Notice Authorization for VPDES and VPA permits be submitted with the permit application, and holding a meeting between DEQ and the applicant to discuss the application when it has reached the 50 to 75 percent review stage. All the proposed changes appear to be targeting a reduction in the time it takes to issue permits.

DEQ Is Continuing Decentralization of Programs

DEQ's director has delegated most permitting and inspection decisions to the regional directors. Permits that once had to receive final approval from headquarters now only require the signature of the regional director. According to the DEQ director, the role of headquarters has been redefined from command and control to technical assistance and administrative support. The regional directors can now approve all permits for air and water, except for water permits that go before a public hearing. In such cases, the State Water Control Board must also approve the permit. Headquarters staff still handle waste permitting, and according to DEQ management there are no immediate plans to transfer this function to the regions.

The authority to inspect waste sites, previously handled by headquarters staff in four of the six regions, has also been delegated to all the regions. In order to accommodate this new responsibility, each region has been provided with positions for a waste supervisor and waste inspectors.

Regional enforcement powers were considerably enhanced in the regions in July 1995 when the regional directors were given the authority to handle all enforcement issues including the issuance of civil charges to violators of the State's environmental regulations. Previously, headquarters had held primary responsibility over enforcement issues. As a result of the regionalization of enforcement, 27 headquarters enforcement positions were eliminated. New enforcement positions were created in headquarters (six positions) and in each region. Twenty-six of those whose positions were eliminated in headquarters transferred to the regions or found another position in headquarters. One individual was laid off. A draft proposal of how regionalized enforcement will be handled was created in August. These guidelines are supposed to be finalized in the fall of 1995.

In September, the Virginia Water Protection Permit Program was also regionalized. As a result of the regionalization, six headquarters' positions were eliminated. Three of these employees relocated to the regions, two found other positions at headquarters, and one staff member was laid off. Regional offices which are expected to have a significant workload for this program will be given additional staff. Other regions with less extensive workloads will manage the program with existing staff.

DEQ's Competition Program Asks Employees to Examine Their Functions for Possible Privatization, Out-Sourcing, or Discontinuation

As noted in the previous section, DEQ is examining opportunities for privatization. This is part of the Executive Branch's newly implemented performance budgeting system. Executive Memorandum Three (1995) directed all State agencies to implement a zero-base approach to budgeting, in which previous levels of funding will not be considered as a justification for funding in subsequent budget years. All programs and functions are to be scrutinized to see if they can be eliminated or privatized. DEQ is using what the director of DEQ calls the "competition model" to accomplish this goal. This model consists of a decision tree which guide staff to what the ultimate outcome of their

position or program should be (Appendix B). Assuming that a program or function is not zero funded as a result of applying the competition model, budget decisions are to be made based on workload and performance measures. The agency is currently developing performance indicators as part of its 1996-1998 budget proposal to the Governor and the Department of Planning and Budget.

Employees received the competition model form August 1, 1995, and they were asked to return the form to the director by August 14, 1995. The first component of the model requires the employee to chart their program or function to see if the position or program could be eliminated, out-sourced, transferred to the regulated community, or performed by another agency. The second part of the form consists of a job analysis form. This form asks that employees answer questions about their duties, priorities, resource needs, and list ways their jobs could be improved.

The director of DEQ stated, in an interview with JLARC staff, that he and a few others will review the responses as soon as possible. He stated that his main objective with the model is to help find the best possible way to allocate resources at DEQ. He stated that he does not anticipate that most functions at DEQ will be out-sourced or privatized as a result of the model. As of November 14, 1995, no decisions had been publicly announced regarding the outcome of the analysis using the competition model.

III. DEQ Reorganization Issues

DEQ's reorganization remains a work in progress. DEQ's reorganization appears to have succeeded in the agency's stated goals of downsizing staff and increasing the authority of the regional offices. However, three concerns have been identified regarding the reorganization at DEQ. First, the reorganization does not appear to have been supported by a sufficient degree of analytical and strategic planning. Second, the reorganization process at DEQ has raised personnel management concerns including concerns about agency hiring practices, employee morale, and employee trust in management. Third, while most DEQ employees believe that the agency is becoming more customer-service oriented and the regional offices have more power, a plurality of DEQ staff have concerns about whether the reorganized department will be more efficient and effective than the previous department and whether the department will be able to maintain environmental quality.

This interim review provides information on issues surrounding the DEQ reorganization process and its impacts on employees. These issues will be considered again and updated information will be provided in the next phase of this review. However, the primary focus of the next phase will be an overall assessment of the reorganized department's environmental programs.

PLANNING FOR DEQ'S REORGANIZATION HAS BEEN INADEQUATE

DEQ's current management faced the challenge of managing and directing an agency that had not yet been fully developed as an organization. However, in attempting to address this challenge, the agency's current management has paid insufficient attention to long-range planning and systematic analysis. In addition, it is difficult to determine the rationale and analytical processes used by the agency's management in making decisions about staffing cuts. The lack of systematic planning underlying the reorganization makes it difficult to assess: (1) the degree to which DEQ management expects to make further organizational changes, and (2) the degree to which the agency's authorized staffing level is adequate to effectively carry out its environmental programs.

Employee Task Group Made Initial Recommendations to DEQ's Current Management for Improving the Agency

When the current DEQ director took office, he convened a task force of DEQ employees to make recommendations about improving the agency's effectiveness and efficiency. This task force consisted of employees from the agency's headquarters and three staff members from the Tidewater Regional Office (each of whom was then a regional director for one of the environmental media). The task force's report is a five-page document that includes 24 recommendations. The report is a listing of employee

suggestions and is not an implementation plan and does not explain any of the recommendations in detail.

The complete task force report is included as Appendix C. Major recommendations included:

- establishing a DEQ strategic plan;
- eliminating the air advisory board in favor of a new DEQ advisory board with a multimedia focus;
- evaluating the number of regions needed and exploring use of satellite offices where minimum DEQ presence is needed;
- consolidating central office employees in one building;
- allowing regional directors, office directors, and the DEQ director of human resources to give final approval of personnel actions;
- reviewing regulations for duplication;
- cross-training employees;
- decentralizing decisionmaking to regions and realigning headquarters to provide technical support to the regions;
- increasing the agency's use of technology;
- getting employee's to "buy-in" to the agency's reorganization; and
- delegating authority for resource allocation and budget preparation to the budget director.

DEQ has implemented some of the recommendations from the task force report, such as consolidating headquarters staff in one building, decentralizing decisionmaking to the regional offices, and revising regional boundaries. Other major recommendations that appear to be useful have not been implemented. For example, the agency has not prepared a strategic plan, the budget director position has been eliminated rather than assigned the responsibility envisioned in the report, and personnel decisions are now often referred to the Office of the Secretary of Natural Resources for approval rather than being made at the office director or regional director level. While the agency head is under no obligation to implement employee suggestions, it appears that this task force report is the only formal planning document of any type prepared by DEQ of its own volition. As such, the task force report is lacking in specific rationales or analytical support for most of the recommendations offered, estimates of resources required to implement the suggestions, and actions needed to implement the suggestions.

DEQ Reorganization Plan to Meet Appropriation Act Requirements Provides Only an Outline of Proposed Changes

The 1995 Appropriation Act directed DEQ to provide the General Assembly's natural resources and appropriations committees with a copy of a reorganization plan prior to implementing any reorganization. The 1995 Appropriation Act stated:

Before implementing any reorganization plan, [DEQ] shall provide copies of the plan to the Chairmen of the House Conservation and Natural Resources and Appropriations Committees and the Senate Agriculture, Conservation and Natural Resources and Finance Committees. The plan shall include, but not be limited to, the division of responsibilities between the regional offices and the central office, the number of positions and operating resources necessary and available to each, and the performance measures to be used in determining the plan's success.

The agency's reorganization plan, as transmitted to the General Assembly in April 1995, is shown in Appendix E. This plan lists staff reductions and some general principles (such as regional empowerment and improved training). The plan does not provide analysis to support the proposed changes or estimate resources needed to implement these changes. The plan is also described as "implementing the final step of [DEQ's] reorganization."

However, the agency has made several additional, significant organizational changes since transmitting the reorganization plan to the General Assembly in April 1995. These changes include:

- decentralization of the agency's enforcement program,
- decentralization of the Virginia Water Protection Permit Program,
- implementation of a new personnel system for the agency that eliminates pay grades and position classifications and establishes a new mechanism for performance evaluations.

The agency is also contemplating additional changes such as the privatization of programs (based on the competition model) and further decentralization of programs. The degree of changes implemented since the announcement of the April 1995 reorganization plan calls into question the adequacy of planning for the April reorganization.

DEQ's Staff Reductions Do Not Reflect Systematic Analysis

JLARC staff asked, on two occasions, for copies of any analysis conducted by DEQ in determining which positions to eliminate in the agency. This request was in response to the agency director's statement to the General Assembly's natural resources

committees that "each of these positions (eliminated) was carefully examined as they related to our reorganization plan. In all instances, the activities performed in these positions were determined to be redundant." DEQ did not provide any documentation of its rationale for making layoff decisions (other than the general statement that eliminated positions were redundant). Absent any written analysis of the redundancy of these positions, it is difficult to verify the assertion made that each of these positions was redundant.

However, JLARC staff identified several aspects of the process used in determining positions to eliminate at DEQ that suggest all positions eliminated were not carefully analyzed. These are as follows.

- The agency accepted all applicants for the Workforce Transition Act (WTA). Employees leaving under the WTA did not reflect agency determinations of redundancy of their positions. Instead, employees determined whether they wished to continue in State service at that time or accept a financial incentive to leave State service.
- According to DEQ supervisors, the agency's management did not consult them in determining whether such layoffs were appropriate.
- The agency, in at least two instances, has been adding staff in areas where position reductions occurred.
- The agency has existing management positions, created by the present agency head, that appear to be redundant.

All DEQ Applicants for the Workforce Transition Act Were Accepted.

The DEQ director accepted all 71 agency applications for the voluntary separation component of the WTA. The WTA gave agency heads the ability to deny voluntary separation to employees whose functions were deemed to be critical. Statewide, approximately 1,000 applicants for the WTA were denied voluntary separation benefits under the act. The Governor subsequently established an appeal mechanism for employees whose applications for voluntary separation were denied, but approximately four-fifths of the denials were upheld upon review by the director of the Department of Employee Relations Counselors.

DEQ's decision to accept all 71 applications for the WTA seems inconsistent with the statement that all positions eliminated in the agency were determined to be redundant. Employees' desire to take voluntary separation was influenced by several factors, including perceptions of job security, personal financial circumstances, employment prospects outside of State government, and proximity to retirement. It is unlikely that all 71 DEQ employees who chose voluntary separation happened to occupy 71 of the 122 positions deemed redundant during the April reorganization. This is particularly true given that 15 of the 71 WTA positions were located in DEQ's regional offices, which have since identified significant staffing needs.

Supervisors of Laid-Off Employees Were Not Consulted in Making Layoff Decisions. Supervisors of DEQ employees who were laid off indicated to JLARC staff in interviews that they were not consulted about whether the position in question was redundant. Based on JLARC staff interviews with DEQ management, it appears that only the division director level of staff were consulted about which positions should be eliminated. This consultation took place during a meeting of the DEQ division directors. During this meeting, division directors were presented with a list of positions to be eliminated in their section and were asked to comment on it. Other DEQ line managers and supervisors were not involved in any formal analysis of redundant positions. Several supervisors indicated that they were given responsibility for informing one or more employees that they had been laid off, but they had not participated in the decisionmaking process for the layoffs and did not fully understand or agree with the layoff decisions.

DEQ is Adding Positions in Some Areas Where the April Reorganization Reduced Staff. JLARC staff identified at least two instances in which DEQ is adding staff in areas where positions were eliminated in April 1995. In the Office of Human Resources Training Section, the agency eliminated three of the five positions. However, the agency has detailed one of the director's assistants into the section to coordinate the training program and the "dual career track" program. DEQ reduced its staff in the Division of Administration by 13 positions in April 1995, including a vacant buyer senior position. After a Division of Purchases and Supply audit was critical of the agency's procurement practices and staffing, the agency re-established two buyer senior positions and a buyer manager position.

Some DEQ Management Positions Appear to be Redundant. The agency's management has indicated that eliminating redundant positions and layers of management is a high priority. However, in at least two instances the agency has established seemingly redundant layers of management. In the Policy and Legislation Office, the agency added a grade 16 level manager (an assistant division director), who supervises the office's staff and reports to the office director, a grade 18. The grade 18 position in turn reports to the Director of Policy and Planning. In all, there are three layers of management between seven employees in the Policy and Legislation Office and the agency head (Figure 6). The grade 16 position was apparently added without consulting the office director, and the office director took no part in the hiring or recruitment for the position. At least in terms of span of control and management responsibilities, it appears difficult to classify the assistant division director position as anything but redundant. The position's non-management responsibilities appear to be related to providing staff support (such as speech writing and participating in interview panels) to the Secretary of Natural Resources as well as to the agency head. These duties could be accomplished by a non-managerial position.

A similar situation appears to exist in the agency's Division of Scientific Research. The Division consists of nine staff members, but it also has four layers of management. The six staff level members report to a grade 14 position, which in turn reports to a grade 16 position, which in turn reports to a grade 17 position, which in turn reports to the agency head. This division is shown in Figure 7.

Figure 6

Redundant Layers of Management in the Office of Policy and Legislation

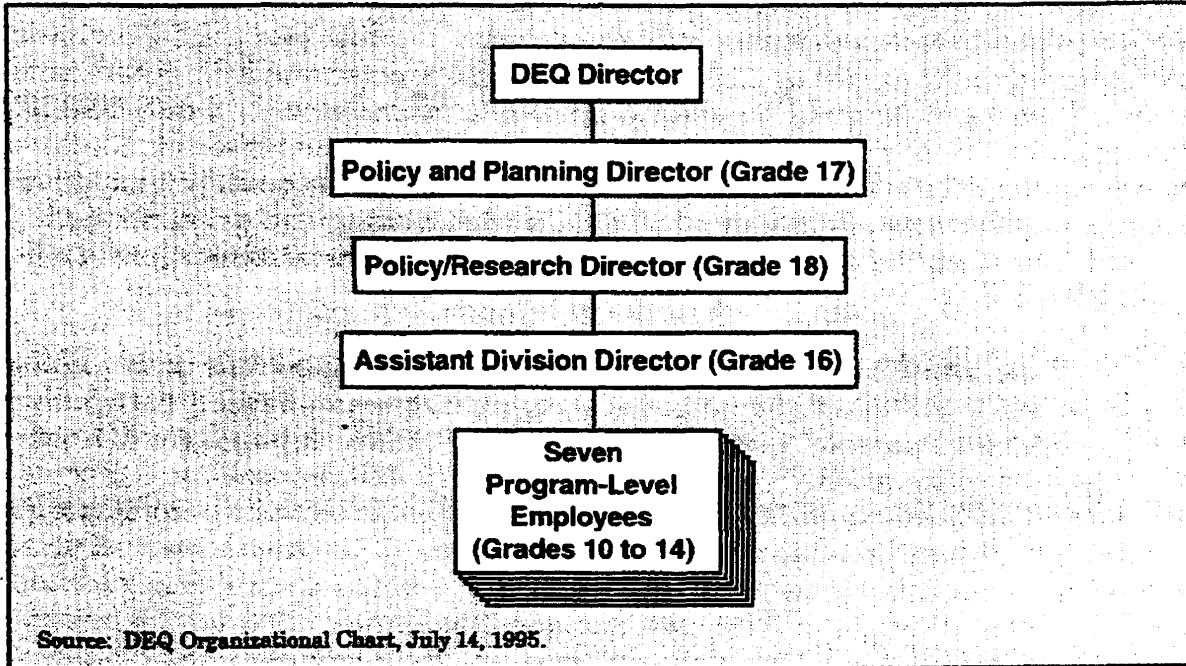
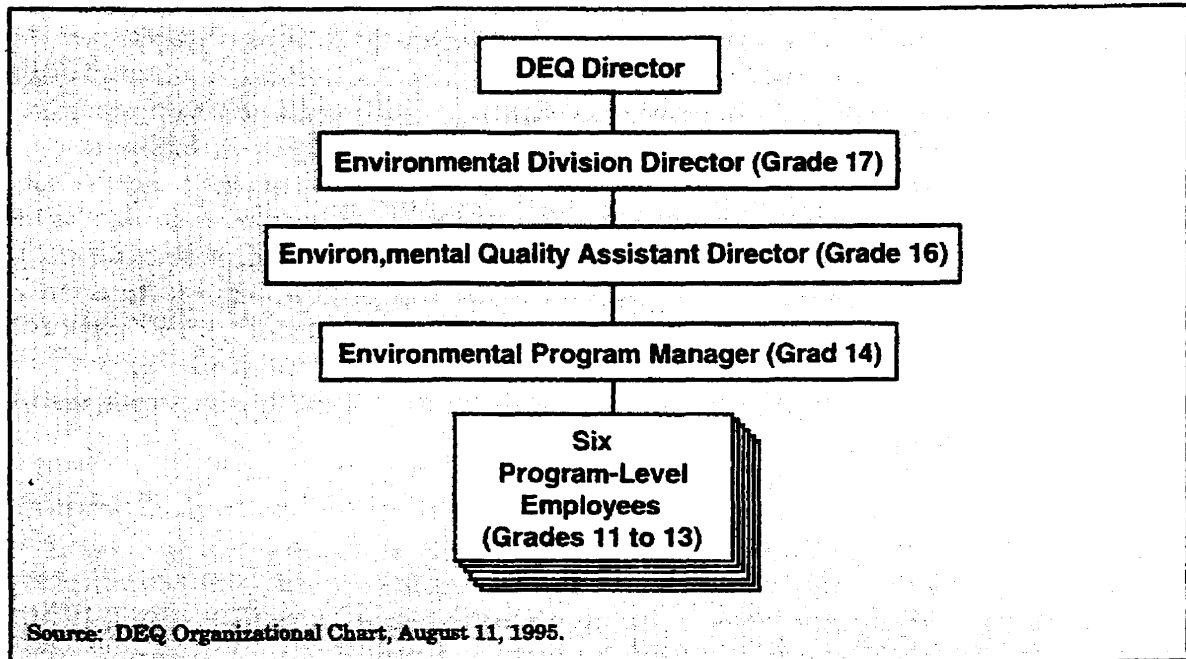


Figure 7

Redundant Layers of Management in the Division of Scientific Research



DEQ Lacks Long-Range Strategic Planning

Bryson's (1988) *Strategic Planning for Public Organizations* defines strategic planning as "a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it." DEQ's current director indicated in an interview with JLARC staff that he does not believe that strategic planning is a useful exercise. Consequently, despite having a significantly smaller staff and different management focus, DEQ has made no effort to up-date the strategic plan for the agency developed by the Secretary of Natural Resources in 1992. Some general goals of DEQ management's current emphasis are clear: reduced agency staff, regional empowerment, cross-training of staff, and improved customer service. However, absent a strategic plan, it is not clear how these general goals will be translated into a more effective, efficient organization in the long term. DEQ is required by the statute that created it to "establish procedures for, and undertake, long-range environmental program planning and policy analysis." This statutory mandate could be addressed in a comprehensive manner as part of an agency-wide strategic plan. DEQ should implement the recommendation of its internal task force to develop an agency-wide strategic plan. This plan should focus on implementing the agency's statutory responsibilities, management's priorities for the agency, and long-range environmental planning. The DEQ competition program, conducted during the summer of 1995, provides a potential source of data for developing the strategic plan.

***Recommendation (1).* The Department of Environmental Quality should develop an agency-wide strategic plan. DEQ should use data from its competition program, statutory requirements, and long-range environmental planning and policy analysis in developing its strategic plan.**

DEQ's Plan for Implementing the Title V Air Permitting Program is Uncertain

Title V of the 1990 Clean Air Act requires states to develop programs for issuing operating permits for certain stationary sources of air pollution. Previously, the air permitting program had been confined to construction permits, issued only when a source of air pollution was about to be constructed. Operating permits will involve reissuing a permit every five years to applicable sources of air pollution.

As of mid-November 1995 it was not clear what approach the Commonwealth will take in implementing its Title V program. The State is currently involved in litigation with EPA regarding the legal standing of private citizens to sue to challenge Title V permits issued by DEQ. Irrespective of the outcome of the litigation regarding the standing issue, however, DEQ will need to implement the Title V program. The only other alternative would be to have EPA administer the program for the State, and the administration has indicated that this is not an acceptable option.

Implementation of Title V involves significant resources. The General Assembly increased DEQ's maximum employment level by 104 positions to accommodate Title

V workload. However, these positions were eliminated by the 1995 General Assembly, pending a final decision on how to implement the Title V program. DEQ is considering contracting out much of the workload for Title V, as this workload is expected to be cyclical in nature. Regardless of whether this workload is performed by State employees or contractors, Title V represents a potentially significant resource demand. Some DEQ staff in the regional offices expressed frustration that the agency's plans for implementing Title V had not been articulated in policy. DEQ management point out that EPA's regulations for the Title V program are not expected to be completed until early 1996.

While the State's negotiations with EPA regarding the standing issue may be protracted, it is important to plan for implementing Title V once (and perhaps while) the standing issue is resolved. An important part of planning for implementing Title V is determining the resources that will be required. DEQ should present the Senate Finance and the House Appropriations Committees with its estimate of the resources required to implement Title V prior to the conclusion of the 1996 General Assembly. DEQ should also clarify the extent to which, if any, it intends to contract out aspects of the Title V program.

Recommendation (2). The Department of Environmental Quality should develop an estimate of the resources required to successfully implement the Title V air operating permit program. The department should provide this estimate to the chairmen of the Senate Finance and the House Appropriations Committees prior to the conclusion of the 1996 General Assembly.

DEQ PERSONNEL MANAGEMENT AND EMPLOYEE MORALE HAS BEEN PROBLEMATIC

JLARC staff's review of DEQ's reorganization identified concerns with the agency's personnel practices and with employee morale and trust in agency management. Concerns regarding personnel management include use of inappropriate interview questions, questionable use of wage employees, the involvement of the Secretary of Natural Resources in agency hiring, and a perception among agency employees of favoritism in the agency's hiring. Regarding morale, employee morale appears to be very low throughout the agency, and trust in agency management is also low. These concerns were identified using a variety of research methods, including:

- a mail survey of 145 DEQ employees,
- interviews with DEQ management and staff,
- a review of selected DEQ personnel records, and
- a review of DEQ's organization charts.

Certain Agency Hiring Practices Are Questionable

This review has identified a number of concerns about the agency's hiring practices. These concerns included use of inappropriate interview questions, use of

highly compensated wage employees to fill senior positions, involvement of the Secretary of Natural Resources in hiring, and a perception of favoritism by DEQ employees in management's hiring of certain employees.

Inappropriate Interview Questions Were Used in Recruiting for Several DEQ Positions. In interviews with JLARC staff and in survey responses, DEQ employees indicated that applicants for DEQ classified positions had been asked to identify and comment on the Secretary of Natural Resources' five principles for the environment and the Governor's priorities for government reform. Review of recruitment files by JLARC staff indicated that, in fact, these interview questions were used in hiring for at least five DEQ positions: a policy and planning director, the agency's science advisor, a community development manager, an agency lead management analyst, and a budget analyst senior. These two questions were among a total of only six questions that were asked for several of the positions reviewed. The questions were apparently also used in hiring regional managers for compliance and permitting.

DEQ has maintained that employees were not asked to recite these questions from memory, but instead were asked to simply comment on them. However, review of five recruitment files by JLARC staff revealed that job applicants were downgraded by the interview panel if they could not recite the Secretary's principles and the Governor's principles from memory. Conversely, applicants who could recite the Secretary's principles and the Governor's principles received a positive rating. For example, the agency director wrote on his comments regarding one applicant's response to a question about the Secretary's principles: "yes, knows perfectly well." This applicant received a plus mark for his response. Of another applicant for the same position, who did not know the Secretary's principles, DEQ's director of administration wrote "no" and assigned a minus mark next to the question asking if the applicant knew the Secretary's principles.

Use of these two questions, particularly the portion of the questions requiring the relevant principles to be recited, appear to be inappropriate for the hiring of classified positions. Under the Department of Personnel and Training's recruitment policy, the employment panel interview is a competitively rated exercise where the applicant is rated on his or her response to each question, which are to be specifically related to the requirements for the position in question. In addition, these questions may create potential liability for the Commonwealth regarding federal law on equal employment opportunity in hiring. The two questions are not directly related to the specific duties of the positions being applied for. Therefore they potentially do not meet the test for evaluative instruments first developed by the U.S. Supreme Court in *Griggs v. Duke Power Co.*, 401 U.S. 424 (1971) and later modified in *Washington v. Davis*, 426 U.S. 229 (1976).

Ability to recite from memory the Secretary's principles for the environment, which were not published in widely promulgated sources, or the Governor's priorities for government reform is not necessarily acquired during a professional career in law, private business, State government, or environmental regulation; nor is their memorization required to successfully demonstrate the knowledge, skills, and abilities of positions such as senior budget analyst, science advisor, or regional permitting manager

(Exhibit 1). In one instance, these questions were not written down as part of the prepared interview questions given to panel members, but were asked at the insistence of the Secretary of Natural Resource's special assistant, who was a panel member.

DEQ denies that these questions were political in nature and asserts that there is nothing wrong with asking them. Also, the Deputy Secretary of Natural Resources has indicated that DPT staff were enthusiastically supportive of using these questions. However, DEQ's argument that the questions are not political in nature is difficult to reconcile with the agency's objection to disallowing the questions. DEQ has stated that disallowing this type of question "would complicate and retard the translation of the results of elections into government programs." This argument appears to be an implicit admission by DEQ that the inappropriate interview questions were consciously political in nature.

DPT should clarify its policy on what interview questions may be considered job-related. The policy should explicitly indicate that it is inappropriate to use non-job

— Exhibit 1 —

Information Asked on Selected DEQ Interview Questions

The Governor's Four Priorities for Government Reform:

Restoring Citizen Ownership to Government
 Developing a Customer Service Oriented Government
 Engendering a Sense of Competition in Government
 To Change the Culture of Government Service

***The Secretary of Natural Resources'
 Five Guiding Principles for the Environment:***

People Are Our Most Important Natural Resource
 Personnel is Policy
 A Growing Economy and a Healthy Environment Are Mutually Dependent
 Renewable Natural Resources Are Inherently Dynamic, Resilient and
 Responsive to Conservation Management
 Excessive Federal Mandates and Regulations are Injurious to the Environment

Source: Governor's Priorities from Governor's Remarks to the Governor's Commission on Government Reform, April 22, 1994; Secretary's Principles from *Virginia Town & City*, April 1994.

related questions that call for a respondent to provide from memory the philosophy or principles of an elected or appointed official.

DEQ Made Extensive Use of Wage Employees to Initially Fill Senior Positions. At the beginning of the current director's tenure, DEQ made extensive use of wage employees to fill senior positions. Positions filled using wage employees included senior management positions such as division directors, a director of policy and planning, and a budget manager (Table 2). DEQ states that these individuals, three of whom were hired at the direction of the Secretary of Natural Resources, were hired only to make policy recommendations and did not have line supervisory responsibilities. However, the extensive use of highly compensated wage employees raises concerns about noncompetitive hiring and undercutting the authority of line managers. The appropriateness of assigning temporary wage employees to senior management titles and high levels of compensation on a systematic basis, particularly at the change of administrations, is an issue for the General Assembly to address.

Table 2

**DEQ Wage Employees Making Over \$15/hour
(since June 1, 1995)**

<i>Employee Title</i>	<i>Wage</i>	<i>Current Status of Employee</i>
Division Director	\$31.41/hour	No longer with the agency
Division Director	\$32.84/hour	Classified employee (Director, Office of Spill Response and Remediation)
Division Director	\$31.41/hour	Classified employee (Director, Policy and Legislation)
Division Director	\$30.71/hour	Classified employee (assistant division director)
Policy and Planning Director	\$29.38/hour	Classified employee (community development director)
Admin. Support Coord.	\$21.03/hour	Classified employee (agency lead management analyst)
Budget Analyst	\$16.83/hour	Classified employee (budget analyst senior)
Accounting Manager C	\$27.48/hour	No longer with the agency
Budget Manager	\$19.24/hour	Still a wage employee (in director's office)

Source: JLARC staff review of DEQ personnel files, list of wage employees provided by DEQ.

Since June 1, 1994 DEQ has hired nine wage employees at salaries of greater than \$15.00 per hour. The average compensation for these employees was \$26.70 per hour. According to DEQ human resources staff, salaries for these positions were set by the Office of the Secretary of Natural Resources, which is not the standard agency procedure for hiring wage employees. Six of these nine wage employees have subsequently been hired in full-time, classified positions. Five of these employees were selected for classified positions on the same day.

At present, State policy regarding temporary employees is established in DPT policy 2.20, not statute. The policy on wage employees was first developed by DPT in 1986, in response to Senate Joint Resolution No. 128. The policy was modified in 1988, based on recommendations from the House Appropriations Subcommittee on Compensation. DPT's policy generally states that "wage employees...are used to supplement the work force during seasonal or temporary workloads, to provide interim replacements, or to perform short-term projects or other jobs that do not require full-time, classified employees." The current DPT policy does not expressly forbid wage employees from functioning in supervisory or management positions. The only limits established on wage employees by the current policy are:

- a wage employee may work no more than 1,500 hours per 365-day period (the first such period begins at the employee's starting date; cabinet secretaries are authorized to approve an exemption to this limit);
- the employee must be compensated at one of the steps in the salary grade to which an employee's position is assigned; and
- the employee shall be paid only for hours actually worked.

DPT's policy on wage employees was the subject of a special report by the Auditor of Public Accounts (APA) in May 1995. The APA found that agencies frequently circumvent the 1,500-hour limit for wage employees and recommended that this policy be re-examined. In addition to this concern, the current JLARC review raises the concern of the types of employment and levels of compensation appropriate for wage employees. While DPT policy does not expressly forbid use of wage employees in management or supervisory positions (or even senior management positions), use of wage employees to fill senior positions during the change of agency administrations creates the potential for either circumvention of the competitive hiring process or for de facto political appointments to be made in agencies (wage employees do not have to be hired using the competitive procedures applicable for full-time, classified employees).

Given concerns expressed about the application of the wage employee policy, the General Assembly may wish to request that the Commission on the Management of the Workforce of the Commonwealth (Workforce Commission) make recommendations regarding needed changes to the State's policies for wage employees and consider adopting statutory provisions for the use of wage employees. The Workforce Commission should make recommendations addressing the maximum number of hours wage employ-

ees may work, the types of positions wage employees may fill, and appropriate limits on compensation for wage employees.

The Secretary of Natural Resources Has Significant Involvement in DEQ Hiring but No Clear Statutory Authority for Such Involvement. The *Code of Virginia* (§2.1-114.7) designates State agency heads as the appointing authority for State agencies and forbids the Governor from having involvement in hiring below the agency head level:

The heads of state agencies shall be the appointing authorities of the respective agencies, and shall establish and maintain within their agencies such methods of administration relating to the establishment and maintenance of personnel standards on a merit basis as approved by the Governor for the proper and efficient enforcement of this chapter. But the Governor shall exercise no authority with respect to the selection and tenure in office of any individual employed in accordance with such methods, except when the Governor is the appointing authority.

The apparent intent of this section is to prevent officials above the agency head from being involved in hiring or firing of agency staff below the level of agency head. This prevents positions below the level of agency head from being considered political appointments at the pleasure of the Governor.

The powers and duties of the Secretary of Natural Resources are defined as follows in §2.1-51.8:1 of the *Code of Virginia*:

- Resolve administrative, jurisdictional, operational, program, or policy conflicts between agencies or officials assigned.
- Direct the formulation of a comprehensive program budget for the functional area identified in §2.1-398 encompassing the services of agencies assigned for consideration by the Governor.
- Hold agency heads accountable for their administrative, fiscal and program actions in the conduct of the respective powers and duties of the agencies.
- Direct the development of goals, objectives, policies and plans that are necessary to the effective and efficient operation of government.
- Sign documents on behalf of the Governor which originate with agencies assigned to the Secretary.
- Employ such personnel and to contract for such consulting services as may be required to perform the powers and duties conferred upon the Secretary by statute or executive order.

Cabinet secretaries in Virginia have not routinely been involved in personnel matters at the agency head level, with the exception of monitoring agency's equal employment opportunity practices. Notwithstanding the absence of clear statutory authority in personnel matters, during the past 18 months the Secretary of Natural Resources has been actively involved in DEQ hiring. This involvement consists of:

- inclusion of staff from the Secretary's office on interview panels (JLARC staff document this involvement for positions as low as grade 12 but were told that the inclusion of staff from the Secretary's office originally applied to all positions);
- (as already noted) preparation of interview questions by the Secretary's office; and
- approval of all employment offers above grade 13 (as well as intra-agency lateral transfers) by the Secretary's office (even in cases where the agency head has sat in on the interview panel).

Executive Order Thirty-Eight (1994), establishing a hiring freeze in the executive branch, gives cabinet secretaries the role of approving exemptions to the hiring freeze for the agencies within their secretariat. However, once an exemption is approved, it is difficult to determine what involvement of the Secretary of Natural Resources, or staff from the Secretary's office, in the actual interview process or in approving the candidate selected for employment is meant to accomplish. The involvement of the Secretary's office in hiring and other personnel matters led several DEQ employees in interviews with JLARC staff to question the authority of the agency director in managing the agency's internal affairs. In particular, the initial inclusion of staff from the Secretary's Office on interview panels and the submitting of interview questions to be used at DEQ interviews by the Secretary's office as well as the continued routine review of hiring decisions by the Secretary's office potentially undercut the agency head's role as the agency's appointing authority.

The Secretary involvement in hiring has established a clear reporting relationship of the agency head to the cabinet secretary in an aspect of agency management (hiring) where the *Code of Virginia* apparently intends to make the agency head the final authority. While the Secretary could reasonably, given existing statutory authority, hold the agency head accountable for ensuring a representative hiring pool for EEO purposes or for following correct personnel procedure, routine, prospective review of mid-level hiring decisions by the Secretary's office gives the appearance that the Secretary has been tacitly established as the agency's appointing authority for mid-level and senior positions. The DEQ director emphasizes, as does the Secretary of Natural Resources, that none of the DEQ director's decisions have been overturned by the Secretary's office. However, as an employment offer cannot be extended to grade 14 and above hires or transfers until the approval of the Secretary's office is given, there is clearly a reporting relationship in the matter of hiring grade 14 and above positions established whereby the agency head reports decisions to be approved by the Secretary.

DEQ and the Secretary of Natural Resources question whether review of employment offers prior to their being made constitutes approval. JLARC staff obtained documentation where the DEQ director transmitted hiring materials to the Secretary of Natural Resources for "review and approval." The Secretary of Natural Resources suggests that approval was an inaccurate choice of words by the agency director, although the Deputy Secretary of Natural Resources concedes that the Secretary's office may also have used the term "approval."

Significant involvement in personnel matters suggests that the Secretary of Natural Resources is playing a role beyond that of a policy coordinator and is taking on some aspects of a chief executive for DEQ. This would not appear to be in keeping with the legislative intent of cabinet secretaries in Virginia State Government. The General Assembly may wish to clarify the role of cabinet secretaries in agency hiring by amending §2.1-114.7 of the *Code of Virginia*. This section could either be amended to expressly grant cabinet secretaries a role in agency hiring or to expressly forbid cabinet secretaries from becoming involved in agency hiring.

The General Assembly may also wish to address the larger issue of the role of cabinet secretaries in the management of executive branch agencies. Virginia's cabinet secretaries, since their inception in the early 1970's, have served as policy coordinators, not chief executives for their agencies. At least in the Natural Resources secretariat, the Secretary is, to some degree, functioning in the role of chief executive officer for DEQ and perhaps other agencies within the secretariat. The General Assembly may wish to consider either reiterating the traditional role of cabinet secretaries as policy coordinators or providing statutory authority to cabinet secretaries to function as chief executives. Cabinet secretaries have existing authority to resolve policy or jurisdictional disputes among agencies in their secretariats. However, they do not have clear authority to be involved in the day-to-day management of their agencies.

DEQ Employees Expressed Concern About a Perception of Favoritism in Agency Hiring. In interviews and in responses to the JLARC survey, DEQ employees expressed frustration at a perception of favoritism in hiring at DEQ, focusing on wage employees who were later hired for full-time positions. One item on the mail survey asked employees to respond to the statement "DEQ employment decisions are based on merit." Table 3 shows responses to this item; nearly two-thirds (63 percent) of the respondents disagreed with the statement. Only 16 percent of respondents agreed with the statement.

JLARC staff did not find any direct evidence that DEQ classified employees were hired without regard to qualifications solely for reasons of nepotism or political considerations. In fact, DEQ's regional directors and environmental media division directors are all veteran State employees. However, there are aspects of DEQ's hiring process for wage employees who later received classified positions that give an appearance of favoritism. Some of the DEQ classified employees who were hired as wage employees initially submitted their applications to the administration's transition office, not DEQ human resources. High-level DEQ wage employees had their initial compensation set by the Secretary of Natural Resources and this wage compensation was used

Table 3

DEQ Employee Responses on Hiring

Statement: *DEQ employment decisions are based on merit.*

Strongly Agree %	Agree %	Disagree %	Strongly Disagree %	No Opinion %	Number of Respondents
0	16	37	26	21	127

Note: Percentages may not add to 100 due to rounding; responses from headquarters technical staff have been weighted to produce a stratified sample.

Source: JLARC analysis of DEQ employee surveys (surveys received during September 1995).

as the basis for the employees' compensation as classified employees. As noted previously, staff from the Secretary of Natural Resources office participated in interviews for the positions later filled by wage employees and two questions asked during interviews for the classified positions eventually filled by the wage employees were political in nature. In addition, JLARC staff found that one of the newly created classified positions created and later filled by a wage employee, the assistant division director in policy and legislation, appears to be a redundant layer of management.

To address employee concerns about favoritism in hiring, DEQ management should give careful attention to avoiding any appearance of favoritism in hiring. This should include careful scrutiny of interview questions, the need for newly created positions, and salary offers made to new hires.

Recommendation (3). The Department of Personnel and Training should revise its policy on hiring to clarify what types of job interview questions are not permissible. The policy should specify that questions asking applicants to recite or comment on the philosophies or positions of elected or appointed officials are not permissible.

Recommendation (4). The Commission on the Workforce of the Commonwealth may wish to examine issues related to the State's policies and procedures for hiring wage employees, including: (1) the advisability of limitations on hours worked by wage employees, (2) filling of supervisory or management positions with temporary employees, and (3) compensation of wage employees.

Recommendation (5). The General Assembly may wish to consider amending the *Code of Virginia* to clarify the legal role of cabinet secretaries in agency hiring and other personnel matters.

DEQ's Personnel Management Problems Raise Questions About the Desirability of Providing It Authority for Its Own Personnel System

DEQ management is in the process of implementing an agency-specific classification and compensation system. The agency has named the program the career track program and has received authorization from the Department of Personnel and Training (DPT) to implement the program on a pilot basis. The career track program will initially be applied to all DEQ technical staff. The agency later plans to expand the program, in revised form, to encompass administrative and managerial staff. This program involves:

- broad-banding technical employees into five levels for purposes of compensation rather than the 23 pay grades used for other executive branch employees;
- eliminating existing position classifications for technical employees and instead applying newly developed classifications that correspond to one of DEQ's proposed five levels of pay;
- a performance evaluation program that is meant to emphasize technical criteria; and
- the possibility of regular reviews for merit or performance pay increases rather than limiting these increases to annual performance reviews.

DEQ's director indicated that the agency had intended to fully implement the career track program by November 1, 1995. However, the agency has decided to delay implementation of the program temporarily while it incorporates employee suggestions and feedback into the program. The career track program's approach is meant to address several problems the agency's management perceives with the State's current personnel system for executive branch employees. These include:

- lack of flexibility for agencies to reward superlative employee performance;
- the tendency of the State personnel system to compensate employees based on their management responsibilities, thereby requiring technical employees to pursue management jobs in order to receive higher pay; and
- concerns about potential disparities among the State's existing position classifications.

DEQ's perceived problems with the State personnel system and proposed solutions appear to have potential merit. However, DEQ's concerns may be appropriate to address within the context of the overall State personnel system for compensation, classification, and performance evaluation. DPT has approved other pilot personnel initiatives for State agencies, however, it appears that DEQ's initiative may be among the most sweeping in terms of total number of employees affected and percentage of agency staff affected.

Allowing agencies to, in effect, adopt their own personnel systems represents a policy choice for the General Assembly and the Governor. It is advisable for the State to carefully consider a balance between allowing reasonable experimentation by State agencies and preventing a splintering of the State personnel system with each agency essentially implementing its own personnel system. Another concern about the proposed form of the career tract is the potential for higher salary costs as a result of the broad banded approach to pay grades and the more frequent opportunity for salary increases. DEQ management estimates that initial implementation of the career track will cost approximately \$250,000.

A final concern with regard to DEQ's career track is the appropriateness of empowering an agency with recent personnel management problems to form its own personnel system. Previous sections of this report have identified problems at DEQ with inappropriate interview questions, questionable use of wage employees, employee perceptions of favoritism in hiring, and inappropriate involvement of the Secretary of Natural Resources in agency hiring decisions. Given these problems, it does not seem advisable for DEQ to implement a career track at this time.

Recommendation (6). The General Assembly may wish to amend the 1996 Appropriation Act to prevent DEQ from implementing agency-specific compensation, classification, or performance evaluation policies and procedures. The Department of Environmental Quality should present a proposal for implementing career track to the Senate Finance and House Appropriations Committees prior to the 1997 session of the General Assembly.

Agency Morale Is Perceived as Low by DEQ Employees

In structured interviews with JLARC staff and in their responses to the JLARC employee survey, DEQ employees indicated that they believe agency morale to be low. Organizational change itself can have a negative effect on morale. However, based on interviews with DEQ staff and review of survey responses to a question asking respondents to list factors affecting their current morale, other factors contributing to low morale in DEQ appear to be problematic internal communication in the agency, a low level of trust among employees in agency management, and fear of job loss.

Moreover, the management and planning of the change process itself can have an effect on employee morale. For example, an American Management Association article states:

Why do some companies suffer from lower morale and productivity after downsizing, while others actually enjoy higher performance levels and greater job satisfaction? The answer lies, in large part, in the careful, strategic planning and skillful implementation of the downsizing program, headed by an involved, aware human resources management team.

As discussed previously, DEQ did not engage in any strategic planning to support the reorganization. This absence of planning has contributed to morale difficulties, as employees are unsure of the direction and finality of the current reorganization.

The employee survey addressed morale in two ways, individual perceptions of morale and perceptions of agency morale. The survey item regarding agency morale asked respondents to agree or disagree with the statement that "DEQ employee morale is good." This survey item had been used in three previous JLARC employee surveys of State employees at other agencies. Table 4 compares the results of these surveys. Sampling error for each of these surveys is displayed in Appendix D to the report.

Table 4

Comparison of JLARC Survey Responses Rating Morale

Statement: *Employee morale is good.*

<i>Department</i>	<i>Strongly Agree %</i>	<i>Agree %</i>	<i>Disagree %</i>	<i>Strongly Disagree %</i>	<i>No Opinion %</i>	<i>Number of Respondents</i>
Department of Environmental Quality (1995)	0	4	34	55	7	127
Department of Personnel and Training (1993)	0	28	49	15	9	80
Department of Education (1991)	0	10	37	45	8	71
Department of Taxation (1991)	2	25	32	32	10	190

Note: Percentages may not add to 100 due to rounding; responses from DEQ headquarters technical staff have been weighted to produce a stratified sample.

Source: JLARC staff questionnaire of Department of Taxation staff, Spring 1991; JLARC survey of Department of Education staff, May 1991; JLARC survey of Department of Personnel and Training staff, Summer 1993; and JLARC survey of Department of Environmental Quality employees, September 1995.

Individual ratings of personal morale were somewhat higher than those reported for agency morale. Nevertheless, two-thirds of employees responding to the JLARC survey indicated that their morale was fair or poor. Table 5 shows individual ratings of personal morale and compares this rating with the previous JLARC employee surveys that used this item.

Table 5

Employee Perceptions of Their Own Morale

Question: *How would you rate your own morale at the present time?*

Department	Excellent %	Good %	Fair %	Poor %	Number of Respondents
Department of Environmental Quality	4	29	39	28	127
Department of Personnel and Training	6	50	36	8	80
Department of Taxation	11	34	37	19	190

Note: Percentages may not add to 100 due to rounding; responses from DEQ headquarters employees have been weighted to produce a stratified sample.

Source: JLARC staff questionnaire of Department of Taxation staff, Spring 1991; JLARC survey of JLARC survey of Department of Personnel and Training staff, Summer 1993; and JLARC survey of Department of Environmental Quality employees, September 1995.

A number of DEQ employees completing the JLARC employee survey commented on morale. For example:

We couldn't feel more unappreciated, unrewarded, unsafe, unrespected, and unconsidered. You don't know from day to day if you're going to be "reorganized" to a regional office, privatized, or eliminated.

* * *

The majority of the state employees at DEQ are here because of a desire to protect the environment. Morale is influenced tremendously when that desire has been overlooked by management.

* * *

At this time I take pride in the work that I accomplish—not what DEQ does as a whole. This is the only way to feel rewarded from your job because the department will not congratulate someone for a good job—nor will they back them up on decisions.

DEQ Morale is Low in Both the Headquarters and Regional Offices. Several DEQ managers theorized in interviews with JLARC staff that morale could be expected to be low in DEQ headquarters, due to layoffs and other position reductions there. However, these DEQ managers theorized that the agency's morale would be

substantially better in the regional offices, as these offices had been largely exempt from staff reductions.

To test this theory, JLARC staff analyzed morale responses from headquarters employees and regional employees. While regional morale was somewhat better than headquarters morale, morale in both headquarters and the regional offices was perceived as low by DEQ employees (Table 6). Fewer DEQ regional employees agreed with the statement "Employee morale is good" than was the case with employees at the three previous agencies which responded to this item on a JLARC employee survey. The principal difference between DEQ headquarters and regional responses to this morale

Table 6

DEQ Headquarters Morale Compared with DEQ Regional Morale

Statement: *Employee morale is good.*

Organization	Strongly Agree %	Agree %	Disagree %	Strongly Disagree %	No Opinion %	Number of Respondents
DEQ Headquarters	0	2	24	68	8	61
DEQ Regions	0	6	39	47	6	66

Question: *How would you rate your own morale at the present time?*

Organization	Excellent %	Good %	Fair %	Poor %	No Opinion %	Number of Respondents
DEQ Headquarters	6	23	39	32	0	61
DEQ Regions	3	30	39	24	3	66

Note: Percentages may not add to 100 due to rounding.

Source: JLARC survey of Department of Environmental Quality employees, September 1995.

question is in the number of employees strongly disagreeing with the statement "Employee morale is good." A plurality of regional employees (47 percent) strongly disagreed. More than two-thirds of headquarters employees responding to this item (68 percent) strongly disagreed.

DEQ Management Indicates It Has Taken Steps to Improve Employee Morale. DEQ's director indicated that DEQ has taken or is in the process of taking steps to improve employee morale. These include: beginning implementation of the career

track program, reassuring employees about their job security, and being accessible to employees. Career track and reassurances to employees about job security are relatively recent initiatives by the agency's management.

The DEQ director indicated in an interview with JLARC staff that the agency, in his judgment, is at the correct staffing level and that further staff reductions might compromise the agency's effectiveness. Therefore, the DEQ director further indicated that he has assured employees that he will do all that he can to assure that any DEQ employee doing a good job retains a position within the organization. The DEQ director emphasized that some further regionalization is necessary, in his judgment, but that employees are being asked to volunteer for transfers to regional offices prior to requiring employees to transfer to regional offices (or lose their jobs).

DEQ management staff indicate that they are aware of some of the challenges they face with regard to the morale issue. The DEQ director indicated, in an interview with JLARC staff, that some DEQ employees have a strong sense that "environmental responsibility means costing people money to protect the environment." The director emphasized that "that is not the way we will do business." The director believes that this difference in attitude between the current direction of the agency and some employees is one of the challenges that the agency faces in resolving the morale issue. Another member of DEQ management has stated that many DEQ employees have many years of service under a number of different administrations and philosophies. The major changes in the agency now are not about what the agency does, but how it does it, according to this viewpoint. In the view of DEQ management, adjusting to the new way of doing things will be a challenge for DEQ employees.

Morale Problem is More Extensive Than DEQ Management Thought and Continues To Be a Challenge. It appears that improving employee morale and trust in agency management will continue to be a significant challenge for DEQ management. The survey results for this study indicate that the morale problem in DEQ is much more widespread than DEQ management has indicated. This is particularly the case in the DEQ regions, which were expected to be the focal point for the new DEQ. DEQ's director has indicated that, with the exception of some "pockets of resistance," morale in the regions "is fine." However, the employee survey results indicate that employee morale in the regions is almost at the same low level as morale in headquarters. Therefore, improving DEQ morale represents an agency-wide challenge for management.

DEQ Employee Trust in Agency Management Appears Low

The JLARC employee survey included an item about trust in agency management. This item had been used in one previous JLARC employee survey. Table 7 shows employee responses on trust in agency management for the DEQ survey and the previous JLARC survey that used this survey item.

Table 7

Comparison of Survey Responses Rating Trust in Agency Management

Statement: *Employee trust in agency management is good.*

Department	Strongly Agree %	Agree %	Disagree %	Strongly Disagree %	No Opinion %	Number of Respondents
Department of Environmental Quality	0	9	43	40	9	127
Department of Education	0	13	32	42	14	71

Note: Percentages may not add to 100 due to rounding; responses from DEQ headquarters technical staff have been weighted to produce a stratified sample.

Source: JLARC survey of Department of Education staff, May 1991; and JLARC survey of Department of Environmental Quality employees, September 1995.

One factor influencing trust in agency management appears to be concern about the goals and priorities of the agency's management. More than half of the technical staff responding to the survey (49 of 97) made written comments expressing concern about their perception of political influences on the agency's programs to favor industry concerns over environmental protections. Another factor influencing trust in agency management appears to be the secrecy of organizational changes. Eleven employees commented on the secrecy involved in organizational changes and wondered why employees were not better informed as to what the agency's plans were. Several employees commented in their survey response that they learned more about the agency's direction from reading the local newspaper than from agency management.

DEQ Employees Expressed Fear for Job Security Based on Continued Reorganization, Fear of Retaliation

DEQ employees expressed considerable concern about the security of their positions, despite the majority of DEQ's staff reductions having been accomplished by methods other than layoffs and the agency's significant efforts to find alternative positions for employees who were laid off. There appear to be two principal causes for concerns about job security among DEQ employees. The first cause is uncertainty about the finality of DEQ's reorganization. The second cause for concern about job security among DEQ employees appears to be concern about retaliation for angering members of the regulated community.

DEQ Employees are Uncertain About the Finality of the Agency's Reorganization. In April 1995, the DEQ director announced the implementation of "the

final step of DEQ's reorganization." In June 1995, the Secretary of Natural Resources indicated in an interview with JLARC staff that the reorganization of DEQ was largely complete. However, after this "final step" in the reorganization, DEQ management took a number of actions affecting or potentially affecting agency employees, including:

- decentralization of the enforcement program (affecting 27 staff);
- decentralization of the Virginia Water Protection Permit program (affecting six staff); and
- initiation of the DEQ competition program (responded to by all DEQ staff).

While it is appropriate for public agencies to continually seek opportunities for organizational improvement, DEQ has discrete steps in its current reorganization that are incomplete and has not communicated to employees when these steps will be complete. These steps include the planned privatization of existing agency programs through analysis of the competition survey and decentralization of programs to the regional offices. Until these activities are either complete, or at least have some time table for them established, agency employees may continue to have concerns about their job security.

Concerns About Retaliation for Enforcing Environmental Law and Regulations. In interviews with JLARC staff, several DEQ employees indicated their concern that they might be retaliated against for making a decision that, while consistent with law or regulation, upset members of the regulated community. It was indicated that this fear was impacting the morale of some DEQ employees. To test whether this perception was widespread among DEQ employees, JLARC staff included a survey item for DEQ technical staff that addressed this issue. Results are shown in Table 8. Fifty-seven percent of DEQ technical staff involved in making specific recommendations that were potentially of concern to the regulated community indicated that they felt that their job would be at risk to either "some" or "a very great" extent if they made a decision or recommendation that caused concern among the regulated community. Forty-three percent of technical employees responding did not think that their jobs would be at risk.

DEQ staff members also made written comments about fear of retaliation for not acceding to what a member of the regulated community wanted. Some of these comments specifically mentioned concern about job loss if a member of the regulated community lodged a complaint about them. For example:

Job loss—all it takes now is one phone call.

* * *

It's fairly simple to satisfy the 'Customer' e.g. Regulated Community or lose your job.

Table 8

Results of Survey Responses on Fear of Retaliation

Question: *Assume you are making a decision or recommendation that is consistent with existing law or regulation, but which raises concern among one or more members of the regulated community. To what extent do you think your job could be at risk?*

I think my job would not be at risk %	My job could be at risk to some extent %	My job could be at risk to a very great extent %	Number of Respondents
43	41	16	77

Note: Responses from headquarters technical staff were weighted to produce a stratified sample of technical staff.

Source: JLARC survey of DEQ employees, September 1995.

This perception that an employee's job is at risk if he or she upsets or disagrees with a member of the regulated community by making a decision consistent with law or regulation should be addressed by DEQ management. This perception could be a detriment to the agency's goal of empowering employees to make decisions at the lowest possible level, and a detriment to achieving a high level of organizational performance and employee motivation.

Recommendation (7). The Department of Environmental Quality should take action to finalize steps in its current reorganization such as the competition survey and the decentralization of programs to the agency's regional offices. DEQ should keep employees fully informed as to planned changes in the agency.

Recommendation (8). The Department of Environmental Quality should develop a written policy for addressing complaints made by members of the public or industry against individual DEQ staff members. This policy should include provisions for: (1) impartial review by agency management of the complaint, including, when possible, corroboration of the validity of the complaint before any adverse action against an employee is taken, (2) an opportunity for the affected employee to offer his or her perspective on the complaint, and (3) following the Standards of Conduct Policy issued by the Department of Personnel and Training in taking any disciplinary action based on the complaint.

EMPLOYEE VIEWS ARE MIXED ABOUT THE EFFECTIVENESS OF THE REORGANIZED DEQ

At this time, DEQ employee views about the future effectiveness and efficiency of the reorganized DEQ are mixed. However, the largest portion of DEQ employees

surveyed indicated that they believed the reorganized DEQ would be less efficient and effective than the former DEQ, but substantial portions indicate a belief that the agency will be more efficient and effective or stay about the same. A majority of DEQ employees expressing an opinion indicated that they disagreed with the statement that the reorganized DEQ was advancing towards maintaining environmental quality. By a large majority, DEQ employees agreed that the agency was succeeding in becoming more customer service oriented and empowering regional staff to make more decisions.

Most DEQ Employees Agree that the Agency is more Customer Service Oriented and that Regional Staff Have Been Empowered

Two of DEQ management's goals in the reorganization of the agency were becoming more customer service oriented and empowering the regional offices. A majority of DEQ employees (62 percent) agree that the new DEQ is "becoming more customer service oriented." A large majority (83 percent) of DEQ employees agree that the agency is "empowering regional staff to make more decisions." Table 9 shows responses to these items.

Several DEQ employees also commented on regional empowerment. Some of these comments were positive, some were mixed, and some were negative. For example:

I believe regional empowerment will be a definite asset to permitting.

Table 9

Employee Responses on Regional Empowerment and Improved Customer Service

DEQ is advancing towards empowering regional staff to make more decisions (n=127)

<u>Strongly Agree %</u>	<u>Agree %</u>	<u>Disagree %</u>	<u>Strongly Disagree %</u>	<u>No Opinion %</u>
12	71	7	4	5

DEQ is advancing towards becoming more customer service oriented (n=127)

<u>Strongly Agree %</u>	<u>Agree %</u>	<u>Disagree %</u>	<u>Strongly Disagree %</u>	<u>No Opinion %</u>
12	50	11	4	2

Note: Percentages may not add to 100 due to rounding; responses from DEQ headquarters technical staff have been weighted to produce a stratified sample.

Source: JLARC survey of DEQ employees, September 1995.

* * *

The fact that the regions are more empowered to make decisions is good. However, the lack of guidance from Richmond and inconsistency across the state is disturbing.

* * *

'Regional empowerment' and how the statewide enforcement of laws will be accomplished or how program consistency will be achieved has never been explained. Observations are that the wholesale shift of programs to the regional offices is simply an extension of political rhetoric and little or no technical considerations were explored.

During the next phase of the review, JLARC staff will examine aspects of DEQ's implementation of its regional empowerment philosophy. This review will include determining if adequate procedures are in place to ensure consistency among regions. JLARC staff will also analyze regional workload and examine whether the regional offices have appropriate resources to address their responsibilities.

Regarding customer service, in phase two of the review JLARC staff will solicit comments from DEQ's external customers. These include local governments, industry, and environmental groups. JLARC staff also plan to survey a sample of DEQ's permit holders.

A Plurality of DEQ Employees Believe the Reorganized Department Will be Less Efficient and Effective

The JLARC employee survey asked DEQ employees to indicate whether they thought the reorganized DEQ would be "more efficient and effective," "less efficient and effective," or "about the same" (Table 10). Twenty-seven percent of DEQ employees thought that the new DEQ would be more efficient and effective, and forty percent thought that the new DEQ would be less efficient and effective. Twenty-seven percent thought that the new DEQ would be about the same as the former DEQ organization in terms of efficiency and effectiveness.

A Plurality of Employees Believe that the Agency Is Not Maintaining Environmental Quality

The JLARC survey also asked DEQ employees whether the agency was advancing towards a number of goals stated in the agency's reorganization plan. One of these goals was maintaining environmental quality. Forty-nine percent of DEQ's employees disagreed with the statement that DEQ was maintaining environmental quality; thirty-three percent agreed with the statement (Table 11).

Table 10

Comparison of Reorganized DEQ with the Former DEQ

Question: *Overall, do you think the reorganized department will be:*

Agency	More Efficient and Effective %	Less Efficient and Effective %	About the Same %	No Response %	Number of Respondents
Department of Environmental Quality	27	40	27	6	127
Department of Education	21	31	34	14	61

Note: Responses from the survey of the Department of Education are included for comparison; responses from DEQ headquarters technical staff have been weighted to produce a stratified sample.

Source: JLARC survey of Department of Education staff, May 1991; and JLARC survey of Department of Environmental Quality employees, September 1995.

Table 11

Employee Responses on the New DEQ's Progress on Maintaining Environmental Quality

Question: *In your opinion, is the new DEQ advancing towards meeting the following objectives: (maintaining environmental quality)?*

Strongly Agree %	Agree %	Disagree %	Strongly Disagree %	No Opinion %	Number of Respondents
3	30	27	22	16	127

Note: Percentages may not add to 100 due to rounding; responses from DEQ headquarters technical staff have been weighted to produce a stratified sample.

Source: JLARC survey of DEQ employees, September 1995.

Several DEQ employees expressed concern about the agency's continued ability to protect the environment. For example:

My main concerns are the compromising of our mission to protect the environment and the natural resources of the state. We have lost many good programs and staff in the restructuring and I'm disturbed by the fact that DEQ is one of the hardest hit in the ... downsizing of state government.

* * *

Environment comes second to our customers' desires.

* * *

Management is entirely concerned with easing the enforcement of environmental regulations.

The validity of DEQ employee perceptions regarding environmental protection will be tested in phase two of the review. However, this perception among agency employees will represent a management challenge for DEQ's leadership to address in improving morale and improving trust in agency management.

IMPLICATIONS OF PHASE I FINDINGS

This phase of the review has concentrated on DEQ's ongoing reorganization and has identified concerns with inadequate planning for the reorganization, DEQ's personnel practices, and the low level of DEQ employee morale and trust in agency management. The findings from this phase of the review need to be placed in context. DEQ's current leadership team has significantly changed the emphasis, structure, and approach that the agency takes in fulfilling its statutory mandate. It is too early in this process to determine the effectiveness of these changes.

However, the effectiveness of a reorganization is oftentimes affected by the planning and management of the change process as well as the degree to which employees "buy in" to the change process. DEQ's change process needs more effective management and planning to improve the implementation of changes. Better agency management may also assist the agency in getting employees to buy into the change process by providing employees with needed information about the rationale for, goals, objectives, and specifics of proposed changes. At present, JLARC survey findings indicate that DEQ's leadership team faces significant challenges in improving low levels of employee morale and trust in agency management. Both low morale and lack of trust in agency management on the part of employees potentially hamper DEQ management's efforts to restructure the agency to be more efficient and effective.

In addition, given that the great majority of DEQ's resources are spent on salaries and benefits, concerns about personnel practices hinder the agency's ability to be as efficient and effective as possible. Concerns identified in this report about the agency's hiring practices and proposed implementation of a new personnel system should be addressed by the agency's management in order to improve employee morale and trust in management as well as the organization's effectiveness and efficiency. In addition, some aspects of concerns about DEQ's personnel management raise larger questions for the Governor, as the State's chief personnel officer, and the General Assembly regarding the management of the State Workforce. These questions include the role of wage

employees, the role of cabinet secretaries in agency hiring, and appropriate guidelines for agency-specific personnel systems.

ISSUES TO BE EXAMINED IN PHASE II

This is an interim status report on the reorganization of the Department of Environmental Quality. Employee comments and concerns can be used by DEQ to make appropriate adjustments in management's approach to the reorganization and employees. The final report for this study will address the effectiveness of DEQ's programs in the areas of waste, water, and air pollution prevention and regulation and present another status report on employee perceptions of how well the reorganization is working.

The final report for this review is expected to address the following research questions:

- Are DEQ's permitting, compliance, enforcement, and remediation programs effective and efficient in protecting the environment?
- Are appropriate mechanisms in place to assure consistency among DEQ's regions in permitting, compliance, and enforcement actions?
- Is DEQ appropriately staffed, managed, and directed to carry out its statutory mission?
- How does the regulated community view DEQ, and what improvements do members of the regulated community suggest in DEQ's operation?
- What citizen concerns, if any, are there regarding DEQ's operation and performance?
- What is the status of DEQ's review of its regulations and what significant changes has DEQ suggested as a result of its regulatory review?

Appendixes

Pages

Appendix A: House Joint Resolution 531 A-1 to A-2

Appendix B: DEQ Memorandum on the Competition Program B-1 to B-16

Appendix C: DEQ Memorandum on the Task Group Report C-1 to C-9

Appendix D: JLARC Survey of DEQ Staff D-1 to D-28

Appendix E: DEQ Reorganization Plan E-1 to E-7

Appendix F: Agency Responses and JLARC Staff Comments F-1 to F-54

Appendix A

HOUSE JOINT RESOLUTION NO. 531 1995 Session

Requesting the Joint Legislative Audit and Review Commission to study the effectiveness of the organization, operation, and performance of the Department of Environmental Quality.

WHEREAS, the 1992 General Assembly enacted legislation merging the staffs of the Department of Air Pollution Control, the Department of Waste Management, the State Water Control Board, and the Council on the Environment into the Virginia Department of Environmental Quality (DEQ); and

WHEREAS, DEQ employs in excess of 850 people with 381 full-time employees (FTEs) working in the central office in Richmond and 377 FTEs working in the six regional offices; and

WHEREAS, DEQ's budget is approximately \$82 million, with a proposed reduction of \$1.5 million; and

WHEREAS, the Virginia Joint Legislative Audit and Review Commission (JLARC) recently completed a major study of solid waste facility management and found numerous critical gaps in the agency's oversight of the Commonwealth's waste management program including compliance, monitoring and enforcement problems; and

WHEREAS, JLARC's review also found that staffing problems, lack of guidance from central office staff, and the lack of an automated data management system have contributed to inspection problems; and

WHEREAS, the functional area of natural resources is among those scheduled for review by JLARC pursuant to the Legislative Program Review and Evaluation Act (§ 30-64 et seq.) through Senate Joint Resolution No. 18, passed during the 1988 Session of the General Assembly; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Legislative Audit and Review Commission be requested to study the effectiveness of the organization, operation and performance of DEQ. The study shall include, but not be limited to, a review of the Commonwealth's water quality and air quality programs, and the effectiveness of the Department of Environmental Quality in meeting its legislative mandate. The Commission's study shall also include a review of the permitting, compliance, inspection and enforcement programs of the Department; and, be it

RESOLVED FURTHER, That DEQ shall cooperate fully as requested and make available all records and information necessary for the completion of work by the Commission and its staff.

All agencies of the Commonwealth shall provide assistance to JLARC, upon request.

The Joint Legislative Audit and Review Commission shall submit its interim report to the Governor and the 1996 Session of the General Assembly, and shall complete its work in time to submit its final findings and recommendations to the Governor and the 1997 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Robert W. Brumby
Director

MEMO

TO: DEQ Employees
FROM: [Signature]
SUBJECT: DEQ Competition Program

As part of our ongoing efforts to make DEQ the most efficient and effective organization it can be we are initiating a competition program to help us evaluate our activities as they relate to our mission. Each of us must define and assess our primary job responsibilities as they fit within the Competition Flow Chart on page three of the attached memorandum. This self-assessment will enable each of us to understand where our job fits within the Flow Chart and whether or not it is a candidate for competition. Results of this undertaking are an integral part of the upcoming biennial budget process.

Please review the enclosed material and complete the survey independently, returning it to my office by Monday, August 14, 1995. Any questions may be directed to either Frank Birckhead, Jim McDaniel, Mike Murphy or me. These and other DEQ staff who created the Flow Chart then will review the results and make recommendations on programs which, in their estimation, are candidates for competition. Before any request for proposal is released, the respective program will be reconfigured as an MEO (most efficient organization) so it is properly structured to compete favorably with the private sector.

Additionally, Appendix III is a Job Analysis Form that is a sister document to the Competition Flow Chart. Its primary purpose is to provide a better understanding of each person's job responsibilities and to help identify candidates for DEQ's technical track, to be implemented in the late September time frame. Please fill this form out, completely and independently, returning it to my office by Monday, August 14, 1995. My expectation is that we will compete and privatize several programs but, more importantly, we will model ourselves into numerous MEO's, thus structuring DEQ to provide a high level of service to our constituents in an efficient, streamlined manner.

Implementation of the technical track will play an important role in DEQ's continued movement to becoming a responsive, service-oriented agency. With your assistance, which is vital to the success of these initiatives, we expect to have the process completed before the end of the year. Thank you for your cooperation.



COMMONWEALTH of VIRGINIA
DEPARTMENT OF ENVIRONMENTAL QUALITY

Peter W. Schmidt
Director

August 1, 1995

P. O. Box 10009
Richmond, Virginia 23240-0009
(804) 762-4000

MEMORANDUM

TO: All Employees

FROM: Peter Schmidt *ps*

SUBJECT: Job Analysis Form and Survey Response Form
(Hard copies attached and on K Drive at Agency\Compete.FMS)

Competition Program Guidance

Use the attached flow chart to analyze each activity by starting at the beginning and working your way through the chart. Answer each question and move on to the next numbered block on the chart. Attached is a Survey Response Form to help you tell us how you see your job as it relates to this process. Individual Program Managers should fill out a sheet for their programs as well as for their jobs. Use a highlighter to mark on the flow chart the result of your analysis. You should arrive at either number 8, 13, 18, 23 or 25 when you complete your analysis.

Because we expect to have different answers to the same question from various employees, unit managers should not encourage consistent answers for the sake of conformity. We are interested in everyone's input and perspective. This type of comprehensive analysis is much more effectively done if participation comes from the entire agency.

The Job Analysis Form should be filled out by all DEQ employees. The form asks for details of the job you perform. If you have any questions about either the survey or this form, please call Frank Birckhead, Jim McDaniel, Mike Murphy, or me.

DEPARTMENT OF ENVIRONMENTAL QUALITY
COMPETITION PROGRAM

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Appendix II:	Survey Response Form
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DEPARTMENT OF ENVIRONMENTAL QUALITY
COMPETITION PROGRAM

JULY 1, 1995

Department of Environmental Quality Competition Program

Introduction

Organizations must be dynamic and work constantly to improve or they will stagnate. As circumstances change the best method to accomplish a task last year might not be the best way this year. It takes hard work and ingenuity to maintain efficiency in any organization. DEQ is no exception.

The first point to understand is what is meant by competition. Competition is a way to keep DEQ a well-tuned, effective organization. The private sector has competition from other businesses; in governmental entities it must be self-imposed as there is little, if any, profit motive. The DEQ competition program is intended to help you instill the competitive spirit in DEQ.

This document will stimulate your thoughts on how best to solve problems, but it does not offer specific instructions on how to solve each problem. Creating a competitive environment cannot be done by following a rule book or adhering to strict guidelines. Your objective should be to discover the most effective way to accomplish your, your department's and DEQ's mission.

All of us have the same objective in mind--to enhance and improve Virginia's environment. We each have specific duties to help DEQ achieve this goal. The DEQ's Competitive Task Force contribution is focused on the conservation of limited financial resources. Our guiding principle should be:

The more efficiently we carry out each individual task, the greater the resources we will have to take care of the multitude of tasks we need to accomplish. Every dollar we save on one problem is a dollar which will be available for another problem.

DEQ must develop a reputation as a leader in creative, cost effective ways to solve environmental problems. As our competence in this arena develops, the general public, our legislators, and the Governor will be more receptive to our requests for funds. Credibility is our primary ally, and we must work diligently to earn it and keep it.

Customer service will remain a primary factor, and it is important to determine the desired service level as part of your analysis. For example, payroll, accounts payable, sampling, permit issuance, and clean up reimbursements all have their own criteria for their desired service level. The service expectations need to be quantified and adhered to, to the extent possible. Performance requirements are the same, no matter if they are performed by our personnel or out-sourced.

As you are analyzing the best way to get a job done, be open-minded. The most efficient method could be doing it in-house, outsourcing the service, or a combination of the two. Determining the best method will require judgment on your part. It cannot be explained completely in a chart or guidance. The objective of the competition program is not to privatize everything but to allow DEQ to effectively and competitively implement its mission. This document is one of many tools that you will use to improve the efficiency of DEQ.

The purpose of the Flow Chart is to lead the user to various possible conclusions that can be logically determined by analyzing a program or service performed by DEQ. The Flow Chart is the framework to be used to perform the analysis. The possible conclusions are as follows:

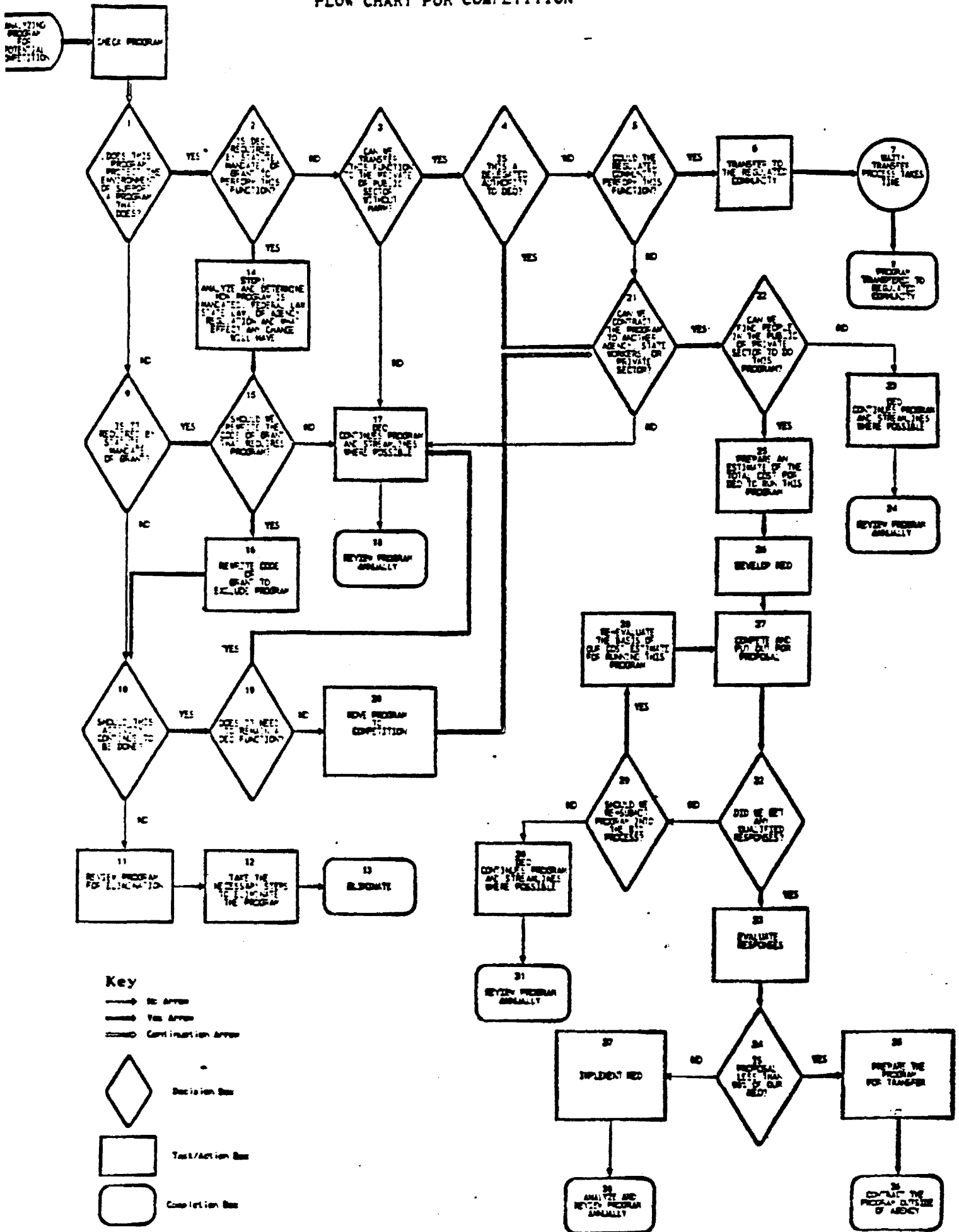
- 1) DEQ is the most efficient provider of the service and should continue to be the provider.
- 2) The private sector can perform this service more efficiently than DEQ.
- 3) The service is not within the mission of DEQ and does not need to be performed.
- 4) The regulated community should perform this function instead of DEQ.
- 5) Because of the sensitivity of the function it can be performed only by DEQ.

The Flow Chart provides for decision points that allow the person analyzing a program a guideline of the criteria to consider during the review process. It is important to remember this is just an aid, not a rigid set of rules to follow. Our objective simply is to determine the type of service needed, the level required to adequately meet the needs of our customers, and then determine the most efficient manner to perform the service. Quality of service should match the function of the service. Different functions have different requirements.

Flow Chart at Figure 1 is a basic decision tree to be used in the analysis of various programs and functions. There is a brief explanation of each decision point in the flow chart. This should be used to help clarify the Flow Chart, but by no means is an attempt to limit your options or thinking. A complete description of each step is at Appendix I. This helps lead you through the necessary thought process and the various considerations to be taken into account at each stage of the process.

Your responses to the Flow Chart Survey should be documented on the Flow Chart Survey Response Form, which is Appendix II. Finally, Appendix III, the Job Analysis Form should be completed.

FLOW CHART FOR COMPETITION



Key

- No Arrow
- Yes Arrow
- Continuation Arrow
- ◇ Decision Box
- Task/Action Box
- Completion Box

Flow Chart Explanation

This portion of the guidance explains the various decisions that need to be made and tasks that need to be completed in performing a competitive analysis. Every explanation is self-contained. This section answers questions about specific concerns.

1. Does this program protect the environment or support a program that does?

An example of a function the agency performs to protect the environment is permitting for air, water, and waste. An example of a function that DEQ performs not directly supportive of our primary mission is information services, particularly the functions of telecommunications and network support. An example of a function that DEQ performs that is not supportive of the environment, but required by statute is the procurement process.

2. Is DEQ required by statute, mandate or grant to perform this function?

Why does DEQ perform this specific function? It might perform this function because it is written into a statute. If this is the case, is the statute still necessary with respect to DEQ's mission or does it exist because no one has questioned its necessity? If it is required by statute, mandate or grant, what are DEQ's obligations in meeting these requirements? Does DEQ have to perform this function or just ensure that it is done and done correctly? If DEQ is required by law to perform this function, what is the most efficient manner to accomplish it?

3. Can we transfer this function to the private or public sector without harm?

An example of a function that if transferred to the private sector could have a negative impact on the agency is privatizing our enforcement division. It does not seem prudent to give police powers to private contractors. Environmental testing is an example of the type of service that private enterprise could, and in fact already does provide for us.

4. Is this a delegated authority to DEQ?

Has EPA delegated to DEQ and only to DEQ the authority to perform this task? Similar to question 2, which refers to state laws and regulations and grants, this question is primarily concerned with EPA. You need to make sure some entity other than DEQ is allowed to perform the service.

5. Could the regulated community perform this function?

Much of the waste permitting documentation is provided to DEQ by the regulated community. Are there other areas where DEQ is doing work that the regulated community could be made responsible for providing? The critical question is, "Is it necessary for DEQ to perform this service?"

6. Transfer to the regulated community.

If the answer to question 5 is yes, then transfer it. That puts DEQ in the best position possible, issuing the permits but making the responsible party bear the cost of gathering the necessary information.

7. Wait! Transfer process takes time.

Take time to make sure nothing falls through the cracks. Educate the regulated community about their responsibility; give them time to get ready to perform this function so that the transition is smooth.

8. Program transferred to regulated community.

9. Is DEQ required by statute, mandate or grant to perform this function?

Why does DEQ perform this specific function? It might perform this function because it is written into a statute. If this is the case, is the statute still necessary with respect to DEQ's mission or does it exist because no one has questioned its necessity? If it is required by statute, mandate or grant, what are DEQ's obligations in meeting these requirements? Does DEQ have to perform this function or just ensure that it is done correctly? If DEQ is required by law to perform this function, what is the most efficient manner to accomplish it?

10. Should this activity continue to be done?

Having now determined that the program does not protect the environment and is not required by the EPA or Commonwealth of Virginia, you should consider whether DEQ should continue this activity. It might be an activity that should be reserved for the government but is currently housed in the wrong agency. It might have some other peculiar twist to it. Think carefully, talk to some experienced people about potential approaches, and then make a decision.

11. Review program for elimination.

The program either is not under our jurisdiction, not helpful to the environment, and not mandated by law. Reviewing the program means rethinking the decisions that got you to this point.

12. Take the necessary steps to eliminate the program.

You have reached the conclusion that this program should be eliminated. Recommend the elimination of the program to the Director and work with the Director of Administration to eliminate the program.

13. Eliminate.

14. Stop! Analyze and determine how program is mandated, federal law, state law, or agency regulation and what effect any change will have.

This is one of the most important steps in the entire process. This is a governmental agency and thus has many state and federal guidelines to follow. You need to thoroughly understand the reason for a program's existence before a reasonable analysis can be made. Just because a program it is mandated is not sufficient justification to keep it--it is just another factor to consider. Regulations can be changed if they are outmoded. It is your responsibility to use sound judgement based on solid information to make recommendations in this regard.

15. **Should we rewrite the code or grant that requires the program?**

Based on the above information, make a decision whether or not to attempt to change the requirements that mandate the activity. Factors to be taken into account include the difficulty in obtaining the change and the benefit resulting from the elimination of the requirement.

16. **Rewrite the statute, regulation or grant to exclude program.**

You should work with the appropriate legislative or grant person in executing this portion of the process. This is a very crucial step in the process and needs the approval of the Director before proceeding. Notify the appropriate people about your decisions and the status of the process.

17. **DEQ continues program and streamlines where possible.**

DEQ should continue the program. That does not mean changes do not need to be made. The program should be thoroughly analyzed with an eye toward getting the necessary work performed in the most cost efficient manner. You should consider competing individual portions of the larger program. (An example is that enforcement might have a data processing portion that could be competed even though enforcement itself is not a function considered feasible for out-sourcing activity).

18. **Review program annually.**

You should constantly be thinking of better ways to do your work, but all programs should be formally examined annually.

19. **Does it need to remain a DEQ function?**

You have arrived at this point in the flow chart by examining an activity that does not protect the environment and is not mandated by law but we want to perform nonetheless. A decision needs to be made at this point to determine if there is some reason that competition cannot be viewed as an alternative. There are not many examples of where this would be true.

20. **Move program to competition.**

The decisions made up to this point have led you to conclude that the program needs to be moved to the competition portion of the chart. The program will be examined for possible out-sourcing and Most Efficient Organization opportunities.

21. **Can we contract the program to another agency, state workers or private sector?**

Is it possible for someone or some other organization to do this work for us? It will be rare that the answer is "no" at this juncture of the flow chart, but this allows for the possibility that there is a reason it cannot be transferred to private sector.

22. **Can we find people in the public or private sector to do this program?**

This is similar to the previous question, but it deals specifically with the availability of competition. An example where the answer to this question might be "no", (while the answer to #21 might be "yes") is if a repair service is needed in a remote portion of the Commonwealth. Such a service might be provided by the private sector, but only in populated areas.

23. DEQ continues program and streamlines where possible.

Even though there is no requirement for DEQ to perform the task, it could be there is no one outside the agency to provide us competition. It should be made known to the public that we are looking for competition to encourage the private sector to provide the service.

24. Review program annually.

You should constantly be thinking of better ways to do your work, and each program should be formally examined annually.

25. Prepare an estimate of the total cost for DEQ to run this program.

Gather all the information relative to running the program to ensure all the costs are captured. There is a cost comparison sheet available to assist with this task. It is appropriate to ask for assistance from the financial people within DEQ to perform this task. They will not do it for you but will provide expertise in how to gather the necessary information.

26. Develop MEO (Most Efficient Organization). How is the Agency currently performing this task?

Developing an MEO is simply rethinking what your mission is and how you are accomplishing it. Ask such questions as, "How is the agency currently performing the task?", "Are there better ways to reach the same end result using a different method?", and "What is really needed to accomplish your mission?" A classic example of how the same ends can be accomplished using different techniques was the re-engineering of the Underground Storage Tank Program claims process. The processing was streamlined by using clerical help whenever possible and eliminating the use of technically trained personnel in the performance of non-technical tasks. The process was broken to its smallest components, thus allowing for the most productive allocation of labor. It is helpful to think of what you are trying to accomplish rather than just what you are doing. Talk to people in the private sector to see how they are getting the job done. Check to see if there are agencies within the Commonwealth that might be doing the same job for their agency. Check with other states.

27. Compete and put out to bid.

You will need to work with the procurement personnel closely in this process. You should keep purchasing informed throughout the process so when you reach this point they are better able to provide you with prompt, informed assistance. They will enhance your ability to get competitive bids, so treat them as an equal partner in this process. If they are not informed early, there could be delay in moving forward.

28. Re-evaluate the basis of our cost estimate for running this program.

Revise the cost estimates based on what the most probable outcome will be if you have come up with any changes in the process to implement. You will have to live with your projections so make them reasonable, not pie in the sky.

29. Should we re-submit program to the bid process?

Determine why there were no qualified bidders and see if it makes sense based on the feedback to put it out for bid again. There can be a variety of reasons for non responsive bids. This again is a time when you should work closely with procurement personnel.

30. **DEQ continues program and streamlines where possible.**

Even though there is nothing that requires DEQ to perform the task, it could be there is no one that we can find outside the agency to provide us competition. It should be made known to the public that we are looking for competition to encourage the private sector to provide the service.

31. **Review program annually.**

You should constantly be thinking of better ways to do your work, and programs should be formally examined annually.

32. **Did we get any qualified responses?**

Carefully analyze the responses and see if any of them meet the needs of the agency in terms of service and quality.

33. **Evaluate responses.**

A continuation of number 32. Look at the responses from all perspectives. The procurement personnel will guide you through this process.

34. **Is proposal less than 90% of our MEO?**

The reason for a 90% hurdle rate is that people who have experience in privatization efforts indicate that there needs to be some room for flexibility. Contractors often are able to increase the contract once they are in place so you need some room for adjustment. This is not a hard and fast rule and should be examined on a case by case basis. Some RFP's are easier to write than others, and thus you can have more faith in the ultimate outcome. Both the MEO and contractor proposals should be examined in this light.

35. **Prepare the program for transfer.**

You need to coordinate with personnel, purchasing, and the customers and prepare everyone for the transfer of the delivery of service from the public to private sector. This can be complex or routine, depending on the complexity of the service being transferred and the numbers of personnel affected.

36. **Contract the program outside of the Agency.**

The decision has been made, it is time to implement it officially. The procurement staff will take care of this portion of the job.

37. **Implement MEO.**

If the MEO is the better way to go, then make it work. This is the crucial stage for competition-following through and being held accountable for the results. If we are to effectively manage competition, accountability is the threshold element.

38. **Analyze and review program annually.**

This is where the MEO's effectiveness will be judged. As earlier stated, the MEO is a continual process, and as such, there is no end to finding ways to improve the organization.

**Flow Chart
Survey Response Form**

Name: _____

Job Title: _____

Work Unit or Grant: _____

1. Does this program protect the environment or support a program that does?
2. Is DEQ required by statute, mandate or grant to perform this function?
3. Can we transfer this function to the private or public sector without harm?
4. Is this a delegated authority to DEQ?
5. Could the regulated community perform this function?
6. Transfer to the regulated community.
7. Wait! Transfer process takes time.
8. Program transferred to regulated community.
9. Is DEQ required by statute, mandate or grant to perform this function?
10. Should this activity continue to be performed?
11. Review program for elimination.

12. **Take the necessary steps to eliminate the program.**
13. **Eliminate.**
14. **Stop! Analyze and determine how program is mandated, federal law, state law, or agency regulation and what effect any change will have.**
15. **Should we rewrite the code or grant that requires the program?**
16. **Rewrite the statute, regulation or grant to exclude program.**
17. **DEQ continues program and streamlines where possible.**
18. **Review program annually.**
19. **Does it need to remain a DEQ function?**
20. **Move program to competition.**
21. **Can we contract the program to another agency, state workers or private sector?**
22. **Can we find people in the public or private sector to do this program?**
23. **DEQ continues program and streamlines where possible.**



Appendix C

COMMONWEALTH of VIRGINIA

DEPARTMENT OF ENVIRONMENTAL QUALITY

Peter W. Schmidt
Director

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Richmond, Virginia 23240-0009
(804) 762-4000

MEMORANDUM

TO: Mr. Peter W. Schmidt
FROM: The DEQ Task Group
DATE: June 24, 1994
SUBJECT: DEQ Task Group Report

Attached is the DEQ Task Group report which presents recommendations for improving the agency's efficiency and effectiveness. The report recommendations are grouped under the following headings:

- o Consolidation/Reorganization Recommendations;
- o Streamlining Recommendations;
- o Regional Empowerment Recommendations; and
- o Administrative/Employee Recommendations

A large number of recommendations were received by group members from all over the agency, however, they were narrowed down to twenty six major recommendations that would have the greatest impact on the agency. Blue Ribbon Strike Force Recommendations were not included as a separate category because they were incorporated into the recommendations noted above.

As the group carried out its designated activities it was very apparent that there were two philosophical approaches as to how the agency should be structured. The first approach advocated structure by functional activities and the second approach advocated structure by media (as it currently exists). The first section of this report and the presentation presents both approaches. A copy of the proposed headquarters and regional office structure and the advantages of both approaches are presented. As with any restructuring there are always a significant number of implementation issues that have to be considered before the changes are fully achieved and accepted by staff. This presentation and

report does not attempt to address these implementation issues. Further, many of the detailed recommendations generated by group members or obtained from DEQ employees will be utilized to clarify or enhance recommendations in this report or be utilized when suggested recommendations are implemented. Finally, legislative and legal issues raised as a result of these recommendations can be addressed during the implementation process.

Thank you very much for your valuable time and do not hesitate to contact us if you have any questions or comments.

STREAMLINING AND CONSOLIDATING DEQ COMMENTS WITH GENERAL APPLICABILITY

Develop an incentive program for the protection of natural resources by industry. For example, the tax credits now available in only certain cases could be expanded.

CONSOLIDATION/REORGANIZATION RECOMMENDATIONS

- Establish one strategic plan for DEQ and make sure each employee gets a copy. Then each division or unit can write more specific plans for itself. Involve a citizen's advisory board in the formulation of an external strategic plan. For example, the internal plan would seek to speed up the permitting process and the external plan would confirm the need and suggest methods. The internal plan is modified as a result.
- Eliminate the air advisory board in favor of a new DEQ advisory group with a multi-media focus. Or, change the function of the advisory board to regulatory review, thus eliminating need for ad hoc advisory groups and creating a savings of the funds used for establishing ad hoc groups.
- Evaluate the number of regions actually needed and include consideration of factors such as workload, costs, cost effectiveness and boundaries which already exist which may already be familiar to industry (e.g., planning district commission) Explore use of satellite offices in areas where minimum DEQ presence is needed.
- Consolidate central office employees in one building; or at least ensure that whole units are housed together.

RECOMMENDATIONS FOR STREAMLINING DEQ PROCEDURES

- Re-examine any reports of data that the agency receives. If the data is not necessary for any direct function of DEQ, the source merely should keep records which are available on request.
- Revise personnel policies and procedures, including those governing training and recruitment/selection, to allow the regional director/office director and the Human Resources Director final approval of personnel actions. Exceptions could include unusual situations and when additional or new resources are required. Management reports would be provided. This would eliminate three levels of approvals and at least two weeks of processing time.
- Eliminate steps and burdensome requirements of agency procurement policy. Require only the activities that are mandated by law.

- Consolidate all DEQ mailing lists into one central system.
- Consolidate various staff libraries into a central multimedia library with on-line access to Federal Register and other essential documents. This would eliminate duplicative subscriptions and maximize accessibility of the information.
- Review regulations for duplication. Eliminate or revise duplicate efforts. Consider combining regulations to minimize number of regulations (i.e., all regulations related to solid waste management should be incorporated into the VSWMR).
- Evaluate service contracts for computer maintenance services. This should include an evaluation of whether an upgrade of equipment is required.

REGIONAL EMPOWERMENT

- Cross train employees in media activities and develop training recommendations. Encourage self-directed groups to engage in activities such as planning, inspections, and the education of the public.
- Authorize decision making to the regions for permit issuance, compliance/inspections and monitoring. Re-align headquarters into technical assistance functions to assist regions, as needed.

ADMINISTRATIVE/EMPLOYEE RELATED RECOMMENDATIONS

- Because first line managers are now personally responsible for their unit budgets, give them the authority for expenditures which mirrors that responsibility.
- A change on paper to the organizational chart is not sufficient to bring about true change. Employees must buy into the change. "Mini-retreats" (a day away from the usual work location) for each new unit should be held. An outside facilitator would be better received than an employee of DEQ.
- Evaluate moving Agency to a higher level of technology (electronic filing, voice mail, data handling, etc.).
- Support career planning and development by providing career related training (cross train in media) and other opportunities for personal and career growth.
- Encourage the use of the "Employee Suggestion Program" and suggestions that will eliminate unnecessary and burdensome steps, paper work, procedures, policies, and requirements from job duties.
- Implement the "Employees' Recognition" program.

- Make counter competitive salary offers when critical positions are leaving state government.
- Ask DPT to revise compensation policies to provide a 3 step pay increase to all employees who receive an exceptional performance rating or distribute equally the funds among those who are rated "exceptional". Also, request permission to pilot a program, which would allow DEQ the use of a percentage of funds saved during the consolidation and merger for employees' bonuses and the recognition program.
- Improve DEQ's "corporate" attitude: implement flexible work schedules and telecommuting, subsidize employees' use of van pools and public transportation, institute an agency no-smoking policy.
- Allocate FY 94 carryover general funds (if appropriated to DEQ) to priority underfunded activities, special projects, etc. based on written proposals submitted to the budget division by office managers, division directors and approved by the Director.
- Define and implement a process establishing the priority of agency functions and activities in a manner so that assigning sufficient budgetary resources to the critical or required activities can be accomplished. These priorities should be established on an annual basis. Discontinue performing nonessential or underfunded functions.
- Assign authority, responsibility and accountability for the compilation of the agency budget planning, preparation, and oversight, resource allocation (FTEs and funding) and appropriation adjustment process to the budget director.

DEQ TASK FORCE

Conclusion: Reorganize the agency by consolidating functions of the several groups.

Goals: To guide our discussions, we were led by several desired outcomes. The desired outcomes were taken from the original reasons for establishing DEQ and the areas the Blue Ribbon Strike Force identified.

1. "One stop" permitting is more convenient for our customers and is more easily managed by the agency.
2. A streamlined process throughout agency operations is more efficient and cost effective for both our customers and our employees.
3. Coordinating agency efforts and responses will result in consistent and cohesive policies and procedures.
4. Regional empowerment will place authority and responsibility for decisions having direct impacts on our customers with the staff that has direct contact with the customers.

With these as our goals, we began our discussion. We examined different organization charts and evaluated them further on several factors.

A. Flexibility: What structure will provide the most flexibility to regional offices in carrying out their mission? Organizing by function will allow easier allocation of resources, so that a regional director can ensure that his office is responsive to the regulated community.

B. Elimination of redundancy and duplication: Organizing by function ensures consolidated and coordinated efforts by the entire agency. There would no longer be three ways of doing everything.

C. Cross training: Organizing by function allows cross training to begin on an informal basis immediately by facilitating the day to day interaction of employees who do the same type of work. This grouping provides job enrichment opportunities. Staff will be interacting with people with similar jobs, yet different enough that there is an opportunity for peer teaching. More professional opportunities are available for employees who do not want to do the exact same thing for the rest of their careers. The employees will be aware of other positions which require similar skills into which they might transfer, apply, etc.

D. Agency unity: By organizing by function and disbanding the existing structures which were in place even before the creation of DEQ, unit or media affiliation is minimized and DEQ affiliation is maximized. This could go a long way toward addressing perceived inequities between divisions.

E. Teamwork: The new organization also fosters the team approach which will allow a multi-media focus from the very beginning of reorganization and will allow it to continue as far as it can.

F. Coordination: Functional units will allow coordinated responses to inquiries from sources, for example, comments on federal facilities within the region.

G. Allocation of resources: The allocation of resources can be more efficiently accomplished with full regional office empowerment and functional organization.

H. Expeditious permit review: Full regional empowerment will facilitate permit review and issuance. The person handling the permit would be directly responsible for its management; central office "delays" would be eliminated to the greatest extent possible.

I. "Line organization": De-centralizing functions of DEQ, to the extent possible, will result in the regions' empowerment. The result will be better customer service.

Organizing along functional lines lays the groundwork for a multi-media approach by DEQ. It takes a multi-media approach without sacrificing staff skills; in fact it allows staff to develop professionally from the very beginning. This approach also establishes that authority and responsibility are delegated to the lowest level possible on the organization chart. The reorganization is clear in its approach to customer service: The regional offices are available to the community for permit issuance, compliance assistance and technical support/information. The central office handles programs which are more efficiently managed at headquarters because of their limited applicability or because the function is one of broad overview responsibilities.

While either way to organize can be used to achieve the stated goals, organizing along functional lines naturally leads to one stop permitting, streamlined processes, coordinated efforts and true regional empowerment.

REASONS FOR MAINTAINING A MEDIA-BASED AGENCY

- ◆ To diffuse the programs and expertise of one medium throughout the agency will result in a dilution of knowledge of that medium by all concerned. No one person would have the big picture for that medium, thus seriously hampering the agency's ability to communicate effectively with those outside the agency. Furthermore, no one person could be held accountable for decisions affecting that medium. And the individual elements of one medium's program (e.g., air programs, air permitting, air enforcement) would be further isolated from one another, thus reducing total programmatic effectiveness and efficiency. A central knowledge base for each medium is essential to responding quickly to crises, providing information on complex program issues, participating in interregional and interstate organizations, working with legislative bodies, and addressing federal issues and programs.
- ◆ The coordinating structure is already in place within DEQ to execute multimedia permits and inspections whenever necessary; only minor changes to the organizational structure are necessary to make this coordination more effective.
- ◆ The federal and state laws and regulations pertaining to each medium are extremely complex and very different from one another. Furthermore, expertise in the technical and scientific issues for one medium requires full-time dedication and training. True expertise in one field is difficult; in three fields, impossible.
- ◆ EPA's structure is media-specific; technical and financial program support, expectations, and modes of communication will continue to be based on this premised regardless of DEQ's official structure.
- ◆ Most other states are organized along media-specific lines, thus expediting communication with other states similarly organized. Some states who have experimented with moving away from media specificity have returned to it, as has EPA itself.
- ◆ Media specificity will tend to perpetuate itself regardless of the official structure because of the legal and technical issues pertinent to each medium; therefore, the dissolution of media divisions would be a superficial, not a real, change.
- ◆ The tendency is always for the most communication to occur within, not between, the branches of an agency. The greatest need for this level of communication is within each medium, not among media. Cross-media impacts and issues can be dealt with by interdisciplinary teams formed as needed for special purposes.
- ◆ Multimedia sources are few (less than 20% of the regulated community); it seems excessive to reorganize the entire agency to accommodate this small minority of the regulated population.

(over)

- ◆ Even with sources requiring a permit for two or three media, the permits must be processed separately since they rely on completely different data sets for developing performance standards and since they operate on different reissuance cycles.
- ◆ Staff cross-training among media is already taking place and can continue to do so within the current structure; no reorganization is necessary to accomplish this.
- ◆ The disruption caused by a total reorganization, coming as it would on top of the disruption caused by the creation of DEQ, could result in further deterioration in morale and productivity.
- ◆ No demonstrable benefit has been shown to result from doing away with media divisions.
- ◆ Many regional offices are currently out for bids for a new consolidated, regional DEQ office. Some offices such as Tidewater and Abingdon are well into the process and nearing the stage of doing detailed space planning. A change of this magnitude (organizing along functional lines) would have distinct consequences that should be factored into any decision.

Appendix D

JLARC Survey of DEQ Staff

A major source of information for this interim report was a JLARC staff survey of DEQ employee perceptions of the agency and the reorganization. This mail survey, conducted in September 1995, was sent to a group of randomly selected DEQ employees from the Richmond headquarters, the six regional offices, and the satellite offices. This survey solicited employee perceptions of DEQ prior to and during the reorganizations begun in the fall of 1994.

Because most DEQ management employees were interviewed by JLARC staff, positions above grade 13 were excluded from the random sample of employees. Based on organizational charts provided to JLARC from DEQ on September 1, 1995, there were 488 employees in the agency of grade 13 or less. Thus, the random sample was drawn from a population of 488 DEQ employees. This population from which the sample was drawn represents approximately 71 percent of the total agency classified employment, when those of grade 14 and above are included (a total of 678 employees as reported to JLARC by DEQ on September 1, 1995).

JLARC staff wished to get an accurate picture of all DEQ grade 13 or below employee perceptions, regardless of job duties or title. However, some questions found in the survey instrument depended upon duties held by those employees in more technical jobs. Thus, it was determined that those staff with primarily administrative duties would be given a condensed version of the survey instrument, to exclude the technically oriented questions. Since job titles were available for each DEQ employee in the sample population, JLARC staff were able to determine which employees that were randomly selected primarily had administrative duties. For reporting purposes, questions that were not asked of administrative staff had percentages calculated with the proper sample number (n = the number of *technical* staff surveyed), while questions that both administrative and technical staff answered had percentages calculated with the entire sample number.

DEQ employees are dispersed over six regions and a central office in Richmond, and because it could be argued that staff in these various places could have been affected differently by the reorganizations, JLARC staff determined that it would be necessary to stratify the random sample among the six regions and the central office. Also, because the central office held large numbers of both administrative and technical staff, it was determined to stratify the central office into two sub-units; one representing technical staff with the other representing administrative staff. This stratification resulted in eight sub-units within the sample population. These were: (1) headquarters

administrative staff, (2) headquarters technical staff, (3) Southwest regional staff, (4) West Central regional staff, (5) Valley regional staff, (6) Northern Virginia regional staff, (7) Tidewater regional staff, and (8) Piedmont regional staff. In order to get an accurate account of employee perceptions, a random sample of 25 percent of the population was taken. Thus, 123 (due to rounding) employees were randomly sampled from the 488 grade 13 or below DEQ employees. Each of the eight sub-units were randomly sampled to represent their proportion in the entire sample population. Table A illustrates the relative proportion of total DEQ employees in the sample population for each sub-unit, and the resulting number of employees for each sub-unit that needed to be included in the proportional random sample.

Due to an early perception that headquarters technical personnel were most affected in terms of staff cutbacks during the reorganizations, JLARC staff determined that it would be beneficial to look at headquarters technical staff as its own sample beyond its inclusion in the overall sample of DEQ employees. Thus, JLARC over-sampled this strata of the sample population. In addition to the 28 headquarters technical employees needed for a proportional sample, 22 additional headquarters technical employees were randomly sampled providing a total of 50 employees for a separate analysis of headquarters technical staff (and thus a total of 145, not 123 surveys were distributed). This represents approximately 45 percent of the entire sample population of headquarters technical staff. Since 50 headquarters technical staff were sampled, this strata was over-represented. Thus, when percentages were calculated based on the *entire* sample population, headquarters technical staff responses were weighted

Table A
Proportional Representation of the Stratified Sample

<u>Sample Groups</u>	<u>Number in Sample Population</u>	<u>% of Sample Population</u>	<u>Proportional Number in Sample</u>
Administrative Staff	72	14.75	18
Technical Staff	112	22.95	28
Southwest Region	33	6.76	8
West Central Region	56	11.48	14
Tidewater Region	63	12.91	16
Piedmont Region	59	12.09	15
Valley Region	39	7.99	10
Northern Virginia Region	<u>54</u>	<u>11.17</u>	<u>14</u>
TOTAL	488	100%	123

Source: JLARC staff analysis of organizational charts provided by DEQ on 9/1/95.

to represent the correct proportion of the sample. Since 28 employees represented the proportional sample, and 50 were sampled, responses were weighted by .56 ($28 \div 50 = .56$). For example, if 30 headquarters technical staff answered "yes" to a particular question for which the results were being calculated for the entire sample, JLARC staff counted only 16.8 as answering "yes" ($30 \times .56 = 16.8$). In this way, all question response percentages reported for the entire DEQ sample still represent a proportional sample among the eight strata.

Sampling Error was computed for each of the percentages reported in this interim report. These sampling errors were computed at the 95 percent confidence level, thus 1.96 was the t-statistic used in each calculation. The following equation was used to compute the sampling errors:

$$\text{SamplingError} = \left[1.96 \sqrt{\frac{p(1-p)}{n}} \right] \sqrt{\frac{N-n}{N}}$$

where p equals the proportion from the sample affirming the statement in question, n equals the number of observations in the sample associated with the question, and N equals the number of observations in the total population. Table B presents the sampling errors for each percentage reported. This table shows sampling error for the DEQ, Department of Education, and Department of Taxation surveys referenced in the report text. Sampling error is not shown for the Department of Personnel and Training survey referenced in the report, as this survey was administered to 100 percent of the Department's staff.

From the 145 surveys sent to DEQ employees among the eight sub-units of the agency, 127 were returned. This resulted in a total response rate of approximately 88 percent.

Copies of both surveys distributed to DEQ employees follow Table B. Reported next to each question is the total number of responses tallied for each option given for each question. These data are un-weighted. The percentages reported in the body of the report are based on weighting headquarters and regional staff responses in appropriate proportions.

Table B
Sampling Errors for Survey Questions Used in Current and Past Studies

DEPARTMENT OF TAXATION

Table	Description	Agree	Sampling Error	Disagree	Sampling Error	No opinion	Sampling Error	N	n
4	Morale Comparison Overall	27%	± 6%	64%	± 6%	10%	± 4%	828	190

Table	Description	Excellent	Sampling Error	Good	Sampling Error	Fair	Sampling Error	Poor	Sampling Error	N	n
5	Personal Morale	11%	± 4%	34%	± 6%	37%	± 6%	19%	± 5%	828	190

DEPARTMENT OF EDUCATION

Table	Description	Agree	Sampling Error	Disagree	Sampling Error	No opinion	Sampling Error	N	n
4	Morale Comparison Overall	10%	± 6%	82%	± 8%	8%	± 6%	409	71
7	Trust in Agency Management	13%	± 7%	74%	± 9%	14%	± 7%	409	71

Table	Description	More Efficient & Effective	Sampling Error	Less Efficient & Effective	Sampling Error	About the Same	Sampling Error	No Opinion	Sampling Error	N	n
10	Comparison of old DEQ to new DEQ, & DOE	21%	± 9%	31%	± 10%	34%	± 10%	14%	± 7%	409	71

DEPARTMENT OF ENVIRONMENTAL QUALITY

Table	Description	Agree	Sampling Error	Disagree	Sampling Error	No opinion	Sampling Error	N	n
3	Employment Decisions/Ment	16%	± 6%	63%	± 8%	21%	± 7%	438.72	108.08
4	Morale Comparison Overall	4%	± 3%	89%	± 5%	7%	± 4%	438.72	108.08
6a1	HQ v. Regional General Morale (HQ)	2%	± 4%	92%	± 7%	8%	± 7%	134.72	42.08
6a2	HQ v. Regional General Morale (Region)	6%	± 5%	86%	± 7%	6%	± 5%	304	66
7	Trust in Agency Management	9%	± 5%	83%	± 6%	9%	± 5%	438.72	108.08
11	Maintaining Environmental Quality	33%	± 8%	49%	± 8%	16%	± 6%	438.72	108.08
9a	Regional Empowerment	83%	± 6%	11%	± 5%	5%	± 4%	438.72	108.08
9b	Customer Service Oriented	72%	± 8%	15%	± 6%	2%	± 2%	438.72	108.08

Table	Description	Excellent	Sampling Error	Good	Sampling Error	Fair	Sampling Error	Poor	Sampling Error	No Opinion	Sampling Error	N	n
5	Personal Morale	4%	± 3%	29%	± 7%	39%	± 8%	28%	± 7%	0%	± 0%	438.72	108.08
6b1	HQ v. Regional Personal Morale (HQ)	6%	± 6%	23%	± 11%	39%	± 12%	32%	± 12%	3%	± 4%	134.72	42.08
6b2	HQ v. Regional Personal Morale (Region)	3%	± 4%	30%	± 10%	39%	± 10%	24%	± 9%	3%	± 4%	304	66

Table	Description	More Efficient & Effective	Sampling Error	Less Efficient & Effective	Sampling Error	About the Same	Sampling Error	No Opinion	Sampling Error	N	n
10	Comparison of old DEQ to new DEQ, & DOE	27%	± 7%	40%	± 8%	27%	± 7%	6%	± 4%	438.72	108.08

Table	Description	Would not be at risk	Sampling Error	Would be at risk to some extent	Sampling Error	N	n
8	Fear of Retaliation	43%	± 11%	57%	± 11%	335.72	62.92



Joint Legislative Audit and Review Commission

Questionnaire for Selected DEQ Employees About the Reorganization of DEQ

The Joint Legislative Audit and Review Commission (JLARC) has been directed by the Virginia General Assembly to study the Department of Environmental Quality (DEQ). As part of this review, JLARC staff are reviewing the reorganization of DEQ. For the purposes of completing this survey, the DEQ reorganization is broadly defined to include changes occurring in the agency during 1994-1995. These changes include but are not limited to: consolidation of regional offices and selection of new agency management in September 1994, changes in programs such as the underground storage tank program, efforts to decentralize programs to the regional offices (such as the Virginia Water Protection permit program and enforcement activities), and downsizing of staff through the Workforce Transition Act and layoffs in April/May 1995.

The survey requests your perceptions about the reorganization. We are interested in the initial perceptions of DEQ staff about the reorganization and what aspects are working well and what aspects could be improved. You were selected as part of a random sample of DEQ employees. Your answers to the following questions will help us provide the requested information to the General Assembly in an interim report in late 1995. You may be surveyed again in 1996 as part of the second phase of the study evaluating the progress of the reorganization.

We hope that you will be frank in your responses. The data will be reported in aggregate form only. JLARC employee surveys are exempt from the provisions of the Freedom of Information Act. No identifying information will be given or shared with your agency. A code number is written at the top right of page 2 of the questionnaire to ensure that the surveys returned are from the sample drawn and for potential follow-up.

In answering the survey, please give each question your careful attention. The information gathered on this questionnaire is very important to our study, and we appreciate your time and effort. Please return the completed survey directly to JLARC in the attached, postage paid envelope by **Monday, September 25, 1995**. If you have any questions, please call Melissa King or Steve Ford at 786-1258.

Fall 1995 Technical Staff Survey: n = 97 unless otherwise noted _____

(1) What is the total length of time you have been working for the Commonwealth?
(Please fill in the boxes.)

years months **average = 9.18 years**

(2) What is the total length of time you have been working in the environmental field?
(Please fill in the boxes.)

years months **average = 11.19 years**

(3) Did you work for one of DEQ's predecessor agencies (the Department of Air Pollution Control, State Water Control Board, Department of Waste Management, or Council on the Environment)? (Please check the appropriate box.)

87 Yes

10 No

(If your response to item 3 was yes, please check the applicable box or boxes.)

27 Department of Air Pollution Control

46 State Water Control Board

16 Department of Waste Management

1 Council on the Environment

(4) In what office/division of the Department of Environmental Quality do you currently work?

(5) What is your current title and grade level? (Please fill in the boxes.)

Title:	
Grade:	average = 11.7

(6) What are your principal job responsibilities?

(7) Do you have a position description? *(Please check the appropriate box.)*

95 Yes

2 No

If Yes: does this position description accurately reflect your job responsibilities? *(Please check the appropriate box.)* n = 95

85 Yes

10 No

(8) Do you have performance standards/expectations for your position? *(Please check the appropriate box.)*

96 Yes

1 No

If Yes: do your performance standards/expectations accurately reflect the responsibilities of your position? *(Please check the appropriate box.)* n = 96

82 Yes

12 No

(9) How long have you been in your present position? *(Please fill in the boxes.)* n = 96

years

months

average = 4.8 years

(10) Did your title or grade change as a result of the reorganization of DEQ during the past year? *(Please check the appropriate box.)*

9 Yes

88 No

(If your response to item 10 was "yes," please fill in the applicable box or boxes indicating your previous title and/or grade; if your response to item 10 was "no," please go to item 11.) n = 9

Previous Title:	
Previous Grade:	average = 12

(11) Did you receive any additional job responsibilities as a result of the reorganization of DEQ during the past year? *(Please check the appropriate box.)*

47 Yes

49 No

(If your response to item 11 was "yes," please indicate your new job responsibilities; if your response to item 11 was "no," please go to item 12.)

(12) Have you been in your present position for two years or more? *(Please check the appropriate box.)*

83 Yes

14 No *(Please skip to item 13.)*

If Yes: Please answer items A to E below to provide us with your perspective on the impact of the organizational changes at DEQ on your work responsibilities or activities. *(Please check one box for each item, and provide any comments you wish to make to elaborate on your responses.)* **n = 83**

A. The way in which priorities are established among tasks in my area of assigned responsibility:

53 is the same

5 has changed for the better

14 has changed for the worse

9 has changed, but is neither better nor worse

B. The approach or methods used to accomplish my work:

48 are the same

7 have changed for the better

13 have changed for the worse

13 have changed, but are neither better nor worse

C. The overall authority I have to make decisions:

- 52 is the same
- 17 has increased
- 13 has decreased

D. The quality and quantity of information I have to make decisions:

- 44 is the same
- 10 has changed for the better
- 18 has changed for the worse
- 10 has changed, but is neither better nor worse

E. The criteria the agency expects me to use in making my decisions:

- 45 are the same
- 5 have changed for the better
- 23 have changed for the worse
- 8 have changed, but are neither better nor worse

Comments:

(13) Do you currently agree or disagree with the following statements about DEQ?
(Please check one box for each item.)

	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NO OPINION/ UNDECIDED
a. DEQ employee morale is good	0 <input type="checkbox"/>	5 <input type="checkbox"/>	31 <input type="checkbox"/>	56 <input type="checkbox"/>	5 <input type="checkbox"/>
b. Employee trust in agency management is good	0 <input type="checkbox"/>	10 <input type="checkbox"/>	36 <input type="checkbox"/>	45 <input type="checkbox"/>	6 <input type="checkbox"/>
c. The 1995 reorganization of DEQ was well-planned	0 <input type="checkbox"/>	12 <input type="checkbox"/>	30 <input type="checkbox"/>	38 <input type="checkbox"/>	17 <input type="checkbox"/>
d. Agency leadership is effective	3 <input type="checkbox"/>	25 <input type="checkbox"/>	23 <input type="checkbox"/>	28 <input type="checkbox"/>	18 <input type="checkbox"/>
e. DEQ employment decisions are made based on merit	0 <input type="checkbox"/>	13 <input type="checkbox"/>	36 <input type="checkbox"/>	30 <input type="checkbox"/>	18 <input type="checkbox"/>
f. Employees were well informed of the changes involved in the reorganization	0 <input type="checkbox"/>	21 <input type="checkbox"/>	36 <input type="checkbox"/>	34 <input type="checkbox"/>	6 <input type="checkbox"/>
g. Employees understand the goals of DEQ's reorganization	3 <input type="checkbox"/>	36 <input type="checkbox"/>	22 <input type="checkbox"/>	28 <input type="checkbox"/>	8 <input type="checkbox"/>

(14) How would you rate your own morale at the present time? *(Please check the appropriate box.)*

5 Excellent 24 Good 40 Fair 27 Poor

(15) What factors primarily influence your current morale? *(Please list in the order of importance.)*

(16) Please list specific training or orientation that has been provided since the reorganization. (If you have not been offered any training or orientation please check this box and go to item 19.)

(17) Was the content and quality of the training or orientation provided to you appropriate to your needs? (Please check the appropriate box.) n = 89

44 Yes

24 No

20 No Opinion

(18) Did any of this training you received involve instruction in an environmental medium other than the one you currently work in? (Please check the appropriate box.) n = 89

29 Yes

60 No

(19) Which of the following items have made a significant contribution toward your understanding of what to do and how to function at DEQ since the reorganization? (Please check all the boxes that apply to you.)

24 Position description

0 Job Interview(s)

51 Staff meetings

38 One-on-one meetings with superiors

20 Training or orientation sessions

35 Manuals, memos, or other written materials

3 Information on how your performance will be evaluated

46 Trial and error

22 Other _____

(20) Do you feel that you have been provided with enough information about the new organization to allow you to perform satisfactorily? *(Please check the appropriate box.)*

44 Yes

36 No

17 No Opinion

Comments:

(21) Since the reorganization went into effect have you had enough work to do? *(Please check the appropriate box.)*

96 Yes

0 No

1 No Opinion

Comments:

(22) Since the reorganization took effect, on average how many hours per week have you worked? *(Please fill in the blank.)*

_____ Hours per week

average = 41.4 hours per week

(23) **Before** the reorganization, on average how many hours per week would you work? *(Please fill in the blank.)*

_____ Hours per week

average = 41.0 hours per week

(24) What effect did the reorganization have on your productivity in your job responsibilities? *(Please check the appropriate box.)*

14 Productivity Increased 29 Productivity Decreased 50 No Effect

Comments:

(25) Do you have any job responsibilities that you believe could be performed more effectively/efficiently by another office within DEQ or by another agency? *(Please check the appropriate box.)*

9 Yes

86 No

(If your response to item 25 was "yes," please indicate the responsibility or responsibilities and your suggested location; if your response to item 25 was "no," please go to item 26.)

(26) Do you have any job responsibilities that you believe could be performed more effectively/efficiently by the private sector or the regulated community? *(Please check the appropriate box.)*

3 Yes

92 No

(If your response to item 26 was "yes," please indicate the responsibility or responsibilities you believe can be privatized and your suggested location; if your response to item 26 was "no," please go to item 27.)

(27) Do you have any job responsibilities that you believe could be discontinued?
(Please check the appropriate box.)

7 Yes

88 No

(If your response to item 27 was "yes," please indicate the responsibility or responsibilities that you believe can be discontinued; if your response to item 27 was "no," please go to item 28.)

(28) Are you in a position which requires you to make specific recommendations or decisions on matters affecting the environment which could cause concern to members of the regulated community? (Please check the appropriate box.)

19 No (Please go to item 29.)

77 Yes

If Yes: Assume you are making a recommendation or decision that is consistent with existing law or regulation, but which raises concern among one or more members of the regulated community. To what extent do you think your job could be at risk? n = 77

29 I think my job would not be at risk.

34 My job could be at risk to some extent.

13 My job could be at risk to a very great extent.

(29) Do you currently agree or disagree with the following statements about DEQ's organization, operation, and management? (Please check one box for each item.)

	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NO OPINION/ UNDECIDED
a. Expectations for the amount of work I perform are reasonable	9 <input type="checkbox"/>	57 <input type="checkbox"/>	16 <input type="checkbox"/>	3 <input type="checkbox"/>	12 <input type="checkbox"/>
b. Expectations for the quality of work I perform are reasonable	12 <input type="checkbox"/>	69 <input type="checkbox"/>	7 <input type="checkbox"/>	2 <input type="checkbox"/>	7 <input type="checkbox"/>
c. I could handle more work than I currently have	2 <input type="checkbox"/>	17 <input type="checkbox"/>	45 <input type="checkbox"/>	20 <input type="checkbox"/>	13 <input type="checkbox"/>
d. I have more work assigned than I can handle	10 <input type="checkbox"/>	20 <input type="checkbox"/>	53 <input type="checkbox"/>	5 <input type="checkbox"/>	9 <input type="checkbox"/>
e. Equipment and supplies I need to complete my work are available	6 <input type="checkbox"/>	57 <input type="checkbox"/>	22 <input type="checkbox"/>	7 <input type="checkbox"/>	5 <input type="checkbox"/>
f. My office/division has too many staff for the assigned workload	1 <input type="checkbox"/>	8 <input type="checkbox"/>	47 <input type="checkbox"/>	38 <input type="checkbox"/>	3 <input type="checkbox"/>
g. My office/division has too few staff to complete the assigned workload	25 <input type="checkbox"/>	35 <input type="checkbox"/>	25 <input type="checkbox"/>	4 <input type="checkbox"/>	8 <input type="checkbox"/>
h. DEQ performs high quality work	14 <input type="checkbox"/>	51 <input type="checkbox"/>	14 <input type="checkbox"/>	1 <input type="checkbox"/>	17 <input type="checkbox"/>
i. Communication within my office/division is good	15 <input type="checkbox"/>	42 <input type="checkbox"/>	26 <input type="checkbox"/>	10 <input type="checkbox"/>	4 <input type="checkbox"/>
j. Communication within DEQ is good	0 <input type="checkbox"/>	21 <input type="checkbox"/>	34 <input type="checkbox"/>	33 <input type="checkbox"/>	9 <input type="checkbox"/>
k. There are too many management staff in my agency	7 <input type="checkbox"/>	37 <input type="checkbox"/>	27 <input type="checkbox"/>	3 <input type="checkbox"/>	23 <input type="checkbox"/>
l. There are too few management staff in my agency	1 <input type="checkbox"/>	4 <input type="checkbox"/>	58 <input type="checkbox"/>	10 <input type="checkbox"/>	24 <input type="checkbox"/>
m. DEQ leadership's goals and priorities are clear	3 <input type="checkbox"/>	19 <input type="checkbox"/>	28 <input type="checkbox"/>	27 <input type="checkbox"/>	20 <input type="checkbox"/>

(30) Typically, do you feel that your current work assignments correspond with what you were hired to do? *(Please check the appropriate box.)*

82 Yes

11 No

4 No Opinion

Comments:

(31) Do you feel that you have timely access to your supervisor to discuss any concerns you may have about your work or policies and procedures? *(Please check the appropriate box.)*

87 Yes

6 No

4 No Opinion

Comments:

(32) Do you feel comfortable discussing work-related questions and concerns you have with your supervisor? *(Please check the appropriate box.)*

84 Yes

10 No

3 No Opinion

Comments:

(33) Are there some functions that are not being performed by DEQ that you believe should be performed by the agency? *(Please check the appropriate box; If Yes, please list those functions.)*

44 Yes

15 No

38 No Opinion

Comments:

(34) In your opinion, is the new DEQ advancing toward meeting the following objectives? *(Please check one box for each item.)*

	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NO OPINION/ UNDECIDED
a. Minimizing bureaucracy	4 <input type="checkbox"/>	32 <input type="checkbox"/>	34 <input type="checkbox"/>	12 <input type="checkbox"/>	15 <input type="checkbox"/>
b. Empowering regional staff to make more decisions	10 <input type="checkbox"/>	63 <input type="checkbox"/>	10 <input type="checkbox"/>	4 <input type="checkbox"/>	10 <input type="checkbox"/>
c. Channeling, prioritizing, and coordinating work	1 <input type="checkbox"/>	31 <input type="checkbox"/>	28 <input type="checkbox"/>	14 <input type="checkbox"/>	23 <input type="checkbox"/>
d. Coordinating environmental media for more effective problem-solving	3 <input type="checkbox"/>	26 <input type="checkbox"/>	26 <input type="checkbox"/>	14 <input type="checkbox"/>	28 <input type="checkbox"/>
e. Becoming more customer service oriented	12 <input type="checkbox"/>	47 <input type="checkbox"/>	14 <input type="checkbox"/>	5 <input type="checkbox"/>	19 <input type="checkbox"/>
f. Cross-training technical staff	3 <input type="checkbox"/>	23 <input type="checkbox"/>	39 <input type="checkbox"/>	20 <input type="checkbox"/>	12 <input type="checkbox"/>
g. Creating a more unified agency across air, water, and waste programs	2 <input type="checkbox"/>	31 <input type="checkbox"/>	33 <input type="checkbox"/>	13 <input type="checkbox"/>	18 <input type="checkbox"/>
h. Maintaining environmental quality	3 <input type="checkbox"/>	25 <input type="checkbox"/>	29 <input type="checkbox"/>	25 <input type="checkbox"/>	15 <input type="checkbox"/>

(35) Overall, do you think the reorganized department will be: *(Please check the appropriate box.)*

29 More efficient and effective

40 Less efficient and effective

25 About the same as the former DEQ

The following space is provided for additional comments you may have about the issues raised in the questionnaire. (*Attach additional sheets if necessary.*)

THANK YOU FOR YOUR TIME AND COOPERATION.

PLEASE RETURN
(USING THE ENCLOSED, POSTAGE PAID ENVELOPE) TO:

JLARC
SUITE 1100, GENERAL ASSEMBLY BUILDING
RICHMOND, VIRGINIA 23219

ATTENTION: MELISSA KING



Joint Legislative Audit and Review Commission

Questionnaire for Selected DEQ Employees About the Reorganization of DEQ

The Joint Legislative Audit and Review Commission (JLARC) has been directed by the Virginia General Assembly to study the Department of Environmental Quality (DEQ). As part of this review, JLARC staff are reviewing the reorganization of DEQ. For the purposes of completing this survey, the DEQ reorganization is broadly defined to include changes occurring in the agency during 1994-1995. These changes include but are not limited to: consolidation of regional offices and selection of new agency management in September 1994, changes in programs such as the underground storage tank program, efforts to decentralize programs to the regional offices (such as the Virginia Water Protection permit program and enforcement activities), and downsizing of staff through the Workforce Transition Act and layoffs in April/May 1995.

The survey requests your perceptions about the reorganization. We are interested in the initial perceptions of DEQ staff about the reorganization and what aspects are working well and what aspects could be improved. You were selected as part of a random sample of DEQ employees. Your answers to the following questions will help us provide the requested information to the General Assembly in an interim report in late 1995. You may be surveyed again in 1996 as part of the second phase of the study evaluating the progress of the reorganization.

We hope that you will be frank in your responses. The data will be reported in aggregate form only. JLARC employee surveys are exempt from the provisions of the Freedom of Information Act. No identifying information will be given or shared with your agency. A code number is written at the top right of page 2 of the questionnaire to ensure that the surveys returned are from the sample drawn and for potential follow-up.

In answering the survey, please give each question your careful attention. The information gathered on this questionnaire is very important to our study, and we appreciate your time and effort. Please return the completed survey directly to JLARC in the attached, postage paid envelope by **Monday, September 25, 1995**. If you have any questions, please call Melissa King or Steve Ford at 786-1258.

Fall 1995 Administrative Staff Survey: n = 30 unless otherwise noted

- (1) What is the total length of time you have been working for the Commonwealth?
(Please fill in the boxes.)

years months **average = 13.2 years**

- (2) What is the total length of time you have been working in the environmental field?
(Please fill in the boxes.) **n = 28**

years months **average = 11.3 years**

- (3) Did you work for one of DEQ's predecessor agencies (the Department of Air Pollution Control, State Water Control Board, Department of Waste Management, or Council on the Environment)? (Please check the appropriate box.)

28 Yes

2 No

(If your response to item 3 was yes, please check the applicable box or boxes.)

4 Department of Air Pollution Control

17 State Water Control Board

7 Department of Waste Management

1 Council on the Environment

- (4) In what office/division of the Department of Environmental Quality do you currently work?

- (5) What is your current title and grade level? (Please fill in the boxes.)

Title:	
Grade:	average = 8.6

- (6) What are your principal job responsibilities?

(7) How long have you been in your present position? *(Please fill in the boxes.)*

years

months

average = 5 years

(8) Did your title or grade change as a result of the reorganization of DEQ during the past year? *(Please check the appropriate box.)*

9 Yes

21 No

(If your response to item 8 was "yes," please fill in the applicable box or boxes indicating your previous title and/or grade; if your response to item 8 was "no," please go to item 9.) **n = 9**

Previous Title:	
Previous Grade:	average = 6.1

(9) Did you receive any additional job responsibilities as a result of the reorganization of DEQ during the past year? *(Please check the appropriate box.)*

19 Yes

11 No

(If your response to item 9 was "yes," please indicate your new job responsibilities; if your response to item 9 was "no," please go to item 10.)

(10) Do you currently agree or disagree with the following statements about DEQ?

(Please check one box for each item.)

	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NO OPINION/ UNDECIDED
a. DEQ employee morale is good	0 <input type="checkbox"/>	0 <input type="checkbox"/>	10 <input type="checkbox"/>	17 <input type="checkbox"/>	3 <input type="checkbox"/>
b. Employee trust in agency management is good	0 <input type="checkbox"/>	1 <input type="checkbox"/>	14 <input type="checkbox"/>	11 <input type="checkbox"/>	4 <input type="checkbox"/>
c. The 1995 reorganization of DEQ was well-planned	0 <input type="checkbox"/>	3 <input type="checkbox"/>	12 <input type="checkbox"/>	8 <input type="checkbox"/>	7 <input type="checkbox"/>
d. Agency leadership is effective	0 <input type="checkbox"/>	9 <input type="checkbox"/>	12 <input type="checkbox"/>	3 <input type="checkbox"/>	6 <input type="checkbox"/>
e. DEQ employment decisions are made based on merit	0 <input type="checkbox"/>	6 <input type="checkbox"/>	11 <input type="checkbox"/>	6 <input type="checkbox"/>	7 <input type="checkbox"/>
f. Employees were well informed of the changes involved in the reorganization	0 <input type="checkbox"/>	5 <input type="checkbox"/>	12 <input type="checkbox"/>	9 <input type="checkbox"/>	4 <input type="checkbox"/>
g. Employees understand the goals of DEQ's reorganization	3 <input type="checkbox"/>	4 <input type="checkbox"/>	16 <input type="checkbox"/>	3 <input type="checkbox"/>	4 <input type="checkbox"/>

(11) How would you rate your own morale at the present time? *(Please check the appropriate box.)*

1 Excellent 10 Good 10 Fair 9 Poor

(12) What factors primarily influence your current morale? *(Please list in the order of importance.)*

(13) Please list specific training or orientation that has been provided to you since the reorganization process began. *(If you have not been provided any training or orientation, please check this box and go to item 16.)*

(14) Was the content and quality of the training or orientation provided to you appropriate to your needs? *(Please check the appropriate box.)* **n = 20**

13 Yes

4 No

3 No Opinion

(15) Did any of this training you received involve instruction in an environmental medium other than the one you currently work in? *(Please check the appropriate box.)* **n = 20**

4 Yes

15 No

(16) Which of the following items have made a significant contribution toward your understanding of what to do and how to function at DEQ since the reorganization? *(Please check all the boxes that apply to you.)*

13 Position description

0 Job Interview(s)

15 Staff meetings

15 One-on-one meetings with superiors

10 Training or orientation sessions

13 Manuals, memos, or other written materials

4 Information on how your performance will be evaluated

17 Trial and error

2 Other _____

(17) Do you feel that you have been provided with enough information about the new organization to allow you to perform satisfactorily? *(Please check the appropriate box.)*

8 Yes

12 No

10 No Opinion

Comments:

(18) Since the reorganization went into effect have you had enough work to do? *(Please check the appropriate box.)*

29 Yes

1 No

0 No Opinion

Comments:

(19) Since the reorganization took effect, on average how many hours per week have you worked? *(Please fill in the blank.)*

average = 41.6 hours per week

(20) Before the reorganization, on average how many hours per week would you work? *(Please fill in the blank.)*

average = 40.6 hours per week

(21) What effect did the reorganization have on your productivity in your job responsibilities? *(Please check the appropriate box.)*

13 Productivity Increased

8 Productivity Decreased

7 No Effect

Comments:

(22) Do you currently agree or disagree with the following statements about DEQ's organization, operation, and management? *(Please check one box for each item.)*

	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NO OPINION/ UNDECIDED
a. Expectations for the <u>amount</u> of work I perform are reasonable	1 <input type="checkbox"/>	15 <input type="checkbox"/>	9 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>
b. Expectations for the <u>quality</u> of work I perform are reasonable	3 <input type="checkbox"/>	22 <input type="checkbox"/>	1 <input type="checkbox"/>	2 <input type="checkbox"/>	2 <input type="checkbox"/>
c. I could handle more work than I currently have	1 <input type="checkbox"/>	7 <input type="checkbox"/>	12 <input type="checkbox"/>	7 <input type="checkbox"/>	3 <input type="checkbox"/>
d. I have more work assigned than I can handle	3 <input type="checkbox"/>	8 <input type="checkbox"/>	17 <input type="checkbox"/>	0 <input type="checkbox"/>	2 <input type="checkbox"/>
e. Equipment and supplies I need to complete my work are available	3 <input type="checkbox"/>	23 <input type="checkbox"/>	2 <input type="checkbox"/>	2 <input type="checkbox"/>	0 <input type="checkbox"/>
f. My office/division has <u>too many</u> staff for the assigned workload	0 <input type="checkbox"/>	2 <input type="checkbox"/>	15 <input type="checkbox"/>	11 <input type="checkbox"/>	2 <input type="checkbox"/>
g. My office/division has <u>too few</u> staff to complete the assigned workload	5 <input type="checkbox"/>	9 <input type="checkbox"/>	11 <input type="checkbox"/>	1 <input type="checkbox"/>	4 <input type="checkbox"/>
h. DEQ performs high quality work	0 <input type="checkbox"/>	18 <input type="checkbox"/>	4 <input type="checkbox"/>	1 <input type="checkbox"/>	7 <input type="checkbox"/>
i. Communication within my office/division is good	1 <input type="checkbox"/>	14 <input type="checkbox"/>	6 <input type="checkbox"/>	8 <input type="checkbox"/>	1 <input type="checkbox"/>
j. Communication within DEQ is good	0 <input type="checkbox"/>	2 <input type="checkbox"/>	13 <input type="checkbox"/>	10 <input type="checkbox"/>	5 <input type="checkbox"/>
k. There are too many management staff in my agency	4 <input type="checkbox"/>	9 <input type="checkbox"/>	4 <input type="checkbox"/>	0 <input type="checkbox"/>	13 <input type="checkbox"/>
l. There are too few management staff in my agency	0 <input type="checkbox"/>	0 <input type="checkbox"/>	11 <input type="checkbox"/>	6 <input type="checkbox"/>	13 <input type="checkbox"/>
m. DEQ leadership's goals and priorities are clear	0 <input type="checkbox"/>	5 <input type="checkbox"/>	16 <input type="checkbox"/>	5 <input type="checkbox"/>	4 <input type="checkbox"/>

(23) Typically, do you feel that your current work assignments correspond with what you were hired to do? *(Please check the appropriate box.)*

22 Yes

7 No

1 No Opinion

Comments:

(24) Do you feel that you have timely access to your supervisor to discuss any concerns you may have about your work or policies and procedures? *(Please check the appropriate box.)*

25 Yes

5 No

0 No Opinion

Comments:

(25) Do you feel comfortable discussing work-related questions and concerns you have with your supervisor? *(Please check the appropriate box.)*

22 Yes

6 No

2 No Opinion

Comments:

(26) In your opinion, is the new DEQ advancing toward meeting the following objectives? *(Please check one box for each item.)*

	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	NO OPINION/ UNDECIDED
a. Minimizing bureaucracy	1 <input type="checkbox"/>	12 <input type="checkbox"/>	6 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>
b. Empowering regional staff to make more decisions	5 <input type="checkbox"/>	25 <input type="checkbox"/>	0 <input type="checkbox"/>	0 <input type="checkbox"/>	0 <input type="checkbox"/>
c. Channeling, prioritizing, and coordinating work	0 <input type="checkbox"/>	9 <input type="checkbox"/>	7 <input type="checkbox"/>	4 <input type="checkbox"/>	10 <input type="checkbox"/>
d. Coordinating environmental media for more effective problem-solving	1 <input type="checkbox"/>	6 <input type="checkbox"/>	5 <input type="checkbox"/>	2 <input type="checkbox"/>	16 <input type="checkbox"/>
e. Becoming more customer service oriented	3 <input type="checkbox"/>	14 <input type="checkbox"/>	2 <input type="checkbox"/>	0 <input type="checkbox"/>	11 <input type="checkbox"/>
f. Cross-training technical staff	1 <input type="checkbox"/>	6 <input type="checkbox"/>	8 <input type="checkbox"/>	3 <input type="checkbox"/>	12 <input type="checkbox"/>
g. Creating a more unified agency across air, water, and waste programs	1 <input type="checkbox"/>	11 <input type="checkbox"/>	6 <input type="checkbox"/>	2 <input type="checkbox"/>	10 <input type="checkbox"/>
h. Maintaining environmental quality	1 <input type="checkbox"/>	10 <input type="checkbox"/>	5 <input type="checkbox"/>	6 <input type="checkbox"/>	8 <input type="checkbox"/>

(27) Overall, do you think the reorganized department will be: *(Please check the appropriate box.)*

- 5 More efficient and effective
- 13 Less efficient and effective
- 9 About the same as the former DEQ

The following space is provided for additional comments you may have about the issues raised in the questionnaire. (*Attach additional sheets if necessary*)

THANK YOU FOR YOUR TIME AND COOPERATION.

PLEASE RETURN
(USING THE ENCLOSED, POSTAGE PAID ENVELOPE) TO:

JLARC
SUITE 1100, GENERAL ASSEMBLY BUILDING
RICHMOND, VIRGINIA 23219

ATTENTION: MELISSA KING

Appendix E

Department of Environmental Quality

Reorganization Plan

I am announcing several initiatives which will help DEQ better serve its customers -- the citizens of Virginia. Among these initiatives:

Implementing the final step of our reorganization. An internal task force of long-time DEQ employees recommended that a major shift in structure and authority to the regions would enable DEQ to accomplish its regulatory responsibilities more expeditiously. Giving the regions more autonomy to carry out their business, as well as restructuring headquarters to provide technical support and quality control makes sense. It gives the regions the authority to go with the responsibility they have always had, thus directing the resources of the agency to those elements which perform the most critical functions of the agency - permitting and compliance. More information on the reorganization can be found at Attachment A.

Improving Training. We will cross-train our permit writers and other personnel as applicable in our continuing effort to streamline the agency. This is beneficial for a number of reasons. The employees become better trained which will dramatically decrease any downtime we may incur as the result of future personnel losses. The general public will recognize a much simpler method for permit application, with the effective formulation of a one-stop shop. We anticipate increased customer service due to this measure.

Establishing New Career Paths. We are establishing a professional technical career path to provide growth opportunity for our scientists and engineers who have limited interest in managing people. Previously, advancement opportunity for these individuals was limited to supervisory positions. Providing technical career promotions will not only keep us from losing many talented individuals to the private sector, but also will maximize the talent of our technical team, many of whom were cornered and stifled in unnecessary management roles.

Expediting Regulatory Review. DEQ is currently conducting an internal review of its 50 plus regulations. Staff, citizens, the Secretary, the Department of Planning and Budget, the Governor, and our Air, Waste, and Water Boards will join together to scrutinize and analyze current regulations. Where appropriate, the regulations will be changed to ensure that their goals are met in the most efficient and effective manner. We expect to complete this review in the Spring of 1996.

Examining Competition Potential. An ongoing competition task force has been formed to study specific competition opportunities. A pilot effort in the Underground Storage Program generated encouraging results. With over 340 reimbursements processed in a six month period by a private contractor, DEQ realized a cost savings of \$650,000. In

instances such as this, where DEQ cannot compete with the services provided by the private sector, we will not hesitate to study and implement the most cost-effective and efficient measures.

Phasing Out Programs. Two programs, oil spill response and storage tank management, will be phased out over a one-year period rather than immediately. These programs are being reexamined to determine the feasibility of outsourcing and the potential for decentralization. Additionally, the enforcement function is under study to determine its decentralization potential.

Realizing Cost Savings. Although not a management initiative, the need to address the fiscal implications of this reorganization is obvious. The initial payout to the employees being separated will be funded with 1994 carryforward funds. The consolidation of regional offices from 16 to 6 will provide substantial cost savings related to overhead, rent, and equipment. The decrease in staffing level will generate a savings of \$3.8 million.

Establishing Performance Measures. To confirm that these initiatives are producing results, we have established performance measures to track and monitor the success of the reorganization plan. These measures include:

- * Development and implementation of work plans for each of the agency's primary program areas
- * Establishment of reference or average processing times for each of the various permits the agency issues
- * Creation of a tracking system for the agency's enforcement activities.
- * Development and implementation of unit budgets
- * Implementation of a performance measurement system for inspection programs.

Once the reorganization logistics are completed, management will work to ensure the above measures are closely monitored and that unit budgets are formulated to reflect the new structure. More information on these performance measures can be found at Attachment B.

Attachment A

DEQ Reorganization

The Department of Environmental Quality was formed in April 1993, the product of the fusing of three regulatory agencies into one. This action was designed to provide a more efficient, effective and responsive agency to the taxpayers of Virginia. To this date, the three agencies, although under the same roof, continue to act relatively autonomously.

Our current reorganization plan continues the consolidation of these agencies as mandated by the previous administration. Many of the changes we are making now were proposed, but have not been implemented since the formation of DEQ in 1993 - over two years ago. Not one job was eliminated, no budget was prepared, and no improvements through economies of scale took place as the agencies came together as one.

Under the new DEQ, the regions will have the lead responsibility and authority for water and air permitting. Waste permitting will remain centralized in headquarters as it is smaller and can be very technically specialized. The regions will also have increased responsibility for inspections, compliance, monitoring and evaluation - and will provide technical assistance to the public and respond to pollution incidents.

This significant shift of responsibility will transform the headquarters staff into the support and service arm for the regions, providing technical and scientific guidance, coordinating intergovernmental/interagency activities, handling enforcement, and regulatory development. Headquarters will also develop and monitor quality control standards to ensure that each of the six regions operate consistently.

The first in a number of steps toward this reorganization occurred in July of 1994, when we announced the formation of six regional offices. In September, we selected office directors - all veteran DEQ managers - to help implement this plan for a more streamlined agency. Since last summer, we have been working on a new organization structure for DEQ.

The final step to our reorganization is being announced today and there will be 122 position reductions. Of these 122, thirty-one positions were vacated and not filled over the last six months; they will be eliminated. Seventy-one DEQ employees opted to take advantage of the voluntary separation incentive provisions of the Workforce Transition Act. Only twenty employees, just 17% of all positions affected by this plan, will be involuntary separated. Each of these positions was carefully examined as they related to our reorganization plan. In all instances, the activities performed in these positions were determined to be redundant.

Specific areas of reduction include the following:

Human Resources. A reduction in staff from 18 to 12. This was accomplished by eliminating unnecessary levels of mid-management. Several training positions were also taken as a result of decreased need based upon more stringent travel and training policies.

Public Affairs. A reduction in staff from 5 to 2. Most of the public relations functions have been delegated to the regions, where they will be handled by management. Ancillary activities, such as educational information and publications will be coordinated through the headquarters.

Enforcement. A reduction in staff from 37 to 28. All separations in enforcement were voluntary. We did not fill the positions because we eliminated unnecessary levels of management. Tasks will be reassigned to existing staff.

Policy. A reduction in staff from 15 to 7. Attendance at regional permit hearings and record keeping will be transferred to regional staff. Review of proposed legislation/regulations will be shifted to other policy staff.

Litter Control and Recycling. This division has been eliminated. These activities will be privatized. A staff person will be designated to serve as an information coordinator during this transition.

Administration. A reduction in staff from 52 to 39. Several layers of management and oversight were eliminated. Job responsibilities have been reassigned to maximize personnel.

Air Permit Evaluation. A reduction in staff from 16 to 5. This unit performed some unnecessary oversight, which has now been eliminated.

Water Resources Management. A reduction in staff from 61 to 47. This was accomplished by eliminating headquarters oversight functions.

Waste Resources Management. A reduction in staff from 52 to 40. This was accomplished by eliminating headquarters oversight functions.

We at DEQ look forward to the implementation of this plan and anticipate a very positive return for both the citizens of Virginia and the regulated community. We believe our plan accomplishes the objectives that were behind the creation of the agency in 1993. Our new structure allows us to address the primary concern voiced by the regulated community, the need for timely processing of permit applications.

At the same time by placing additional resources in our regional offices and reducing the amount of duplicative administrative oversight at headquarters, we will also be able to provide enhanced and more prompt service to our other customers. The improvements in performance and the enhancements to the delivery of service that we expect from the implementation of this reorganization plan will provide an exciting example of increased effectiveness and efficiency in state government.

Performance Measures

- * **Development and implementation of work plans for each of the agency's primary program areas.** The work plans will include mechanisms for monitoring a program's progress towards stated objectives. The work plans will also include schedules for completion of the individual tasks and projects of each program. Staff performance evaluations will be tied to adherence to, and successful completion of, the work plan schedules.
- * **Establishment of reference or average processing times for each of the various permits the agency issues.** Performance standards will then be established against the reference or average times. An automated tracking system will be developed to monitor staff performance. The system will create regular progress reports for management review.
- * **Creation of a tracking system for the agency's enforcement activities.** The system will provide information about the number of violations issued and how quickly enforcement proceedings are brought to conclusion. The system will also track the number of consent orders issued and the number and amounts of penalties imposed/collected.
- * **Development and implementation of unit budgets.** The agency will establish improved budgetary practices which place more authority and responsibility on the individual managers such as the regional office directors or program/office managers. Monthly and quarterly unit budget reports will be prepared. This will allow for improved tracking of fund utilization and an increased ability to identify opportunities for additional savings. The unit managers will be required to prepare and follow annual budgets, and their performance will be measured by their ability to accomplish designated work plan objectives while operating within their respective budgets.
- * **Implementation of a performance measurement system for inspection programs.** The system will include the number of inspections scheduled (from the work plans), the number of inspections completed, number of complaints received and timeliness of follow-ups, and regular progress reports for management review. Reference or average completion times and annual workload expectations will be developed. Inspection staff performance standards will be established based on the reference times and accomplishment of annual objectives.

Department of Environmental Quality
Initial Post-Reorganization Budget Projections

Source	MEL	Appropriation
<i>Headquarters</i>	<i>307</i>	<i>19,380,000</i>
<i>Regions</i>	<i>486</i>	<i>31,620,000</i>
Southwest	59	3,825,900
West Central	101	6,515,200
Tidewater	100	6,515,200
Piedmont	86	5,690,000
Valley	60	3,889,200
Northern	80	5,184,500
Total	793	51,000,000

Note: Pass-thru funding of approximately 68,000,000 is not reflected on this chart.

Department of Environmental Quality

Division of Responsibility - Headquarters and Regions

Regional Offices

- ▶ Environmental Permitting
- ▶ Environmental Inspection and Compliance
- ▶ Environmental Monitoring and Evaluation

Headquarters

- ▶ Administration and Support
- ▶ Environmental Enforcement
- ▶ Intergovernmental/Interagency Activities
- ▶ Program Audits
- ▶ Regulation and Policy Development
- ▶ State Revolving Loan Fund
- ▶ VPSTF Reimbursement
- ▶ Technical Guidance and Training

Appendix F

Agency Responses

As part of an extensive data validation process, State agencies involved in a JLARC assessment effort are given the opportunity to comment on an exposure draft of the report. Appropriate technical corrections resulting from the written comments have been made in this final version of the report. Page references in the agency responses relate to an earlier exposure draft and may not correspond to page numbers in this version.

This appendix contains the following:

- Responses from the Secretary of Natural Resources and associated correspondence
- Responses from the Department of Environmental Quality
- JLARC comments regarding the DEQ responses



COMMONWEALTH of VIRGINIA

Office of the Governor

George Allen
Governor

Becky Norton Dunlop
Secretary of Natural Resources

December 6, 1995

Mr. Philip A. Leone
Director
Joint Legislative Audit
and Review Commission
Suite 1100, General Assembly Bldg.
Richmond, Virginia 23219

Dear Mr. Leone:

This letter responds to your letter of November 16, 1995 which offered me the opportunity to comment upon an exposure draft of the so-called JLARC Interim Report: Review of the Department of Environmental Quality.

Let me say at the outset that the Department of Environmental Quality (DEQ) is preparing detailed comments regarding this document which will also address issues relevant to the Secretary of Natural Resources.

Frankly, I am very disappointed with both the tenor and content of the report, although I am not surprised. My primary concerns relate to the lack of thoroughness of the report and the fact that it, which references actions by me and my staff, was compiled without ever extending us the courtesy of an interview or reviewing relevant materials.

JLARC staff identified a concern that the Secretary of Natural Resources has a significant involvement in personnel matters at DEQ. This is said to include having Secretariat staff serve on interview panels, preparation of interview questions by the Secretary's office, and approval of all appointment decisions above a certain grade level. The report suggests that such involvement in personnel matters is inappropriate. Yet JLARC staff did not interview the DEQ Director, officials at the Secretary's office responsible for the actions giving rise to their concern, the Director of the Department of Personnel and Training who advised on personnel matters, or me.

This is only one example of what is clearly an inadequate "investigation" that brings into question the quality and objectivity of the entire report.

As noted above, DEQ will provide JLARC staff with detailed comments. Other than certain background and historical information, however, I must say there is little in the report that can be described as factual.

Mr. Philip A. Leone
December 6, 1995
Page Two

As public stewards of the environment, the Secretary of Natural Resources and our team of committed professionals at DEQ plan to move forward caring for the environment and enforcing the environmental laws and regulations of the Commonwealth. In so doing, we had been hopeful the JLARC effort would provide us counsel and assistance with the task of consolidating four separate agencies. Unfortunately, our review indicates that JLARC staff has failed to provide any objective information based upon recognized research methods or appropriate investigation.

Sincerely yours,



Becky Norton Dunlop



COMMONWEALTH of VIRGINIA

*Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219*

(804) 786-1258

*Philip A. Leone
Director*

December 7, 1995

The Honorable Becky Norton Dunlop
Secretary of Natural Resources
Ninth Street Office Building
7th Floor
Richmond, Virginia 23219

Dear Secretary Dunlop:

Thank you for your letter of December 6, 1995 responding to the exposure draft of JLARC's interim review of the Department of Environmental Quality (DEQ). While we disagree with the assertions and generalizations made in your response, there is one assertion in your letter that I would like to comment on. This is the statement that JLARC staff did not meet with the DEQ Director, DPT staff, or you. JLARC staff met with the DEQ director on three occasions: June 8, August 17, and November 8, 1995. The latter two of these meetings addressed the Secretary's role in personnel and other issues. JLARC staff met with DPT staff on November 6, 1995 to discuss DEQ's proposed career track personnel system.

JLARC staff scheduled a meeting with you to take place on November 14. This meeting was intended to discuss your role in personnel and other issues at DEQ. This meeting was canceled by your staff. JLARC staff suggested an alternative date of November 15, but were told that this was not workable as the DEQ director would not be available to attend the meeting. The draft exposure report was sent to you and to Mr. Schmidt on November 16. The purpose of providing you with this draft was to obtain your specific comments.

Thank you again for your letter and for meeting with me yesterday. Members of my staff look forward to meeting with

The Honorable Becky Norton Dunlop
December 7, 1995
Page 2

you today at 1:00 p.m. I look forward to reviewing the Department of Environmental Quality's written response that is referenced in your letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip A. Leone", with a long horizontal flourish extending to the right.

Philip A. Leone
Director

PAL/wlm



COMMONWEALTH of VIRGINIA

Office of the Governor

December 7, 1995

George Allen
Governor

Becky Norton Dunlop
Secretary of Natural Resources

Mr. Philip A. Leone
Director
Joint Legislative Audit
and Review Commission
Suite 1100, General Assembly Bldg.
Richmond, Virginia 23219

Dear Mr. Leone:

I met today with two members of your team as you arranged and I appreciate your working out this opportunity for me to discuss the aspects of the report dealing with my office.

After our discussion on Wednesday evening, I returned to my office and asked my assistant, Betty Joyner, about the JLARC meeting which you stated had been scheduled with me prior to your releasing the report. Mrs. Joyner stated that one meeting had been set up and cancelled by my office because a Cabinet meeting was scheduled. At the time she called JLARC to explain the need to cancel the meeting, she attempted to reschedule the JLARC meeting but was unable to work out a time agreeable to your staff and my schedule later that week. She suggested a meeting early the following week but was informed that you wanted to release the report that week and therefor would not interview me. I feel that it is important to be clear that I wanted to meet prior to the report being completed. I was and remain disappointed that this could not be accommodated particularly in light of the fact that this study was conducted during a five month period.

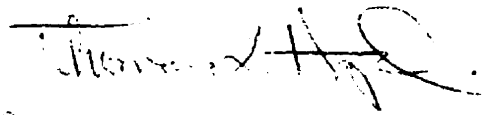
I appreciate your sending JLARC investigators to visit with me. It was a frank exchange and the Deputy Secretary and I both shared concerns about a number of statements in the document and expressed our questions about the basis for them. We also responded to JLARC questions to the best of our recollections. Your staff agreed to visit again with the Deputy Secretary on Friday to discuss some specific wording changes. We also asked John Forbes of the Analytical section of DPB to participate in the meeting to discuss aspects of the survey about which we had questions or found troubling.

We continue to have very serious questions about the methodology leading to a number of the issues raised by JLARC staff. We do feel we have some clarity as to the intent and purpose of the report. Perhaps it can provide the foundation for demonstrating the dramatic improvements in the performance and successes of the new fully integrated Department of

Mr. Phillip Leone
December 7, 1995
Page Two

Environmental Quality and give baseline data heretofore unavailable for tracking this improved performance.

Sincerely,

A handwritten signature in black ink, appearing to read "Becky Norton Dunlop", written over a horizontal line.

Becky Norton Dunlop

BND/tc



COMMONWEALTH of VIRGINIA
DEPARTMENT OF ENVIRONMENTAL QUALITY

Peter W. Schmidt
Director

P. O. Box 10009
Richmond, Virginia 23240-0009
(804) 762-4000

December 7, 1995

Mr. Philip A. Leone
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building
Capitol Square
Richmond, VA 23219

Dear Mr. Leone:

Enclosed are DEQ's first set of comments to JLARC's draft Interim Report. We ask that you incorporate them into the Report and include them, in toto, as an appendix to the Report.

As I have indicated to you by letter, as well as during our telephone conversation, I anticipate that DEQ will have additional comments. We will share those with you as soon as possible.

I would also like to express my very serious concern about one sentence on page 62 which states, "In addition, these questions may violate federal law regarding equal employment opportunity in hiring." Without direct evidence, such a statement cannot be supported and potentially exposes the Commonwealth to legal action. I strongly recommend that this sentence be struck from the draft Interim Report.

Thank you.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Peter W. Schmidt".

Peter W. Schmidt

I. Contextual Comments

DEQ offers the following comments in partial response to JLARC's draft Interim Report. The comments below represent a portion of DEQ's total comments to the Report. The remainder of DEQ's comments will be delivered to JLARC as soon as possible, as outlined in Director Peter Schmidt's November 28, 1995 letter to Philip Leone. As indicated in that letter, DEQ has systemic, fundamental disagreements with the Report. DEQ is continuing to review the draft for factual errors as well. The comments below are an attempt to provide badly needed context for the JLARC report. A substantial portion of these comments are based on DEQ's testimony to the Senate Finance Committee in June 1995.

Overall, DEQ is extremely disappointed that the staff from the Joint Legislative Audit Review Commission chose to turn this opportunity for constructive criticism and sharing of ideas into a negative, misleading document fraught with insinuation and innuendo, not facts. To spend 8 months and a sizable amount of taxpayer dollars in time and resources to come up with a report which has little positive value for DEQ, its employees, or its customers, is negligent. The recommendations are either obvious (and being worked on) or based on leading statements, begged inferences and assumptions.

In June 1994, when a new Director was appointed for DEQ, the organization had several dysfunctional characteristics. First, there had been no attempt -- other than to move physical locations -- to merge the four predecessor agencies into a cohesive, unified agency. Second, no steps had been taken to eliminate redundancies and capture cost efficiencies in the new agency. Third, there had been no effort to realize the promise of DEQ as a one-stop permitting agency. Fourth, more than a year after the merger, there was still a significant amount of confusion about the responsibilities and authorities of the various agency elements. Finally, and most critically, there was a pervasive sense that the agency was in fact no more than four factions living under the same roof. Indeed, several staff members characterized the merger as a "hostile takeover".

The Director's years of management experience in the private sector, coupled with his academic training led him to conclude that DEQ was an organization in distress and that it was imperative to make immediate changes. The needed changes included:

- overcoming differences in workforce cultures that each of the staffs of the predecessor agencies brought with them to DEQ;
- realizing the efficiencies on which DEQ was premised;

- moving rapidly to set the stage for DEQ to become a one-stop permitting and multi-media organization;
- assigning responsibilities and authorities to agency elements; and
- enhancing the customer service orientation of the agency.

The Director's actions to address the need for these changes are improving the efficiency of the Department, shifting authority to further empower DEQ's regional professionals, and laying the foundation for a truly integrated DEQ. The accompanying initiatives will improve DEQ's processes, help realize savings to the taxpayers, and bring the organization closer to the citizens it serves.

This effort, which started to be planned when the Allen Administration first took office, was designed to fulfill two sets of promises. The first set of promises -- that DEQ would ultimately be a cost-effective, efficient organization which could address environmental concerns with a multi-media approach -- was the reason many Delegates and Senators originally voted for the creation of DEQ. The bipartisan nature of the support for this approach to DEQ was made clear to Secretary Dunlop and Director Schmidt when they were making their initial visits to Members. They repeatedly heard that moving forward aggressively on streamlining DEQ was essential.

The second set of promises -- that Virginia's government could become leaner, more efficient, more cost-effective, and more service oriented -- were recurring themes during Governor Allen's campaign. With these two promises to be fulfilled, Governor Allen and Secretary Dunlop determined that DEQ should remain as one, integrated agency, not a group of four loosely tied organizations.

One of the very first acts that DEQ's new Director took upon being appointed was to assemble a task force made up of veteran state employees to examine how the agency might best carry out its mission. The group concluded that a major shift in structure, transferring new authority to the regions to augment the historical responsibilities they had enjoyed, would enable DEQ to accomplish its regulatory responsibilities more efficiently.

The management team's observations of DEQ also led to the same conclusion. DEQ's core functions -- permitting and compliance -- are performed primarily by the agency's regional offices. They are closest, both geographically and with respect to frequency of interaction, to the agency's clients. Giving them more autonomy and reorienting headquarters to provide technical support and quality control makes sense. Such an arrangement allows each component to focus on what it does best. It gives the regions authority to go along with the responsibility they have always had, and it allows headquarters to concentrate on developing and applying policy and technical oversight for consistency purposes.

It is important to remain cognizant that the regions, while perhaps not enjoying an increase in funding as a result of these efforts, will reap significant efficiencies by essentially controlling most permitting and compliance decisions. Previously, the regions wasted significant resources in obtaining sign-off on permitting and compliance actions from a series of management levels in Richmond. By allowing regions to proceed with only that oversight necessary to balance consistency with flexibility, and by reorienting headquarters towards a service and oversight role, the stage has been set for the regions to provide more efficient and cost-effective service to the citizens.

Moreover, DEQ has taken a very significant step toward realizing the promise of one-stop permitting through the creation of regional permit managers, who are responsible for water and air permits written in each region.

Part of the changes at DEQ include four initiatives which senior management has been developing for some time. These initiatives -- cross-training; creation of a career track; regulatory review; and competition -- will help realize the full potential of DEQ.

First, DEQ will begin to cross-train permit writers and other personnel as appropriate. Such an approach is necessary to set the stage for a truly integrated DEQ, as well as to lay the foundation for one-stop permitting. Currently, neither management nor the permit writers are well-versed in media outside their own. DEQ intends to change that through this initiative, and training has already begun.

Second, DEQ is establishing a professional technical career path to provide growth opportunities within the agency for those who wish to focus on science and engineering and have only limited need or desire to manage people. Career advancement in the Commonwealth is a function largely of how high one can climb on the management ladder. At an agency where most of the employees are technical (like DEQ), that can lead to diversion or loss of the agency's best scientists and engineers because they do not wish to manage, and so they leave; or they are compelled to spend large fractions of their time in management activities for which they may be ill-suited or in which they are not interested. This initiative is designed to solve that problem. At present, DEQ is working with DPT to develop this career track system which should be in place by early next year.

Third among the new initiatives is the review of regulations as required under the Governor's Executive Order. Where appropriate, the regulations will be changed to ensure that the purposes of the regulations are met in the most efficient and cost effective manner possible. Although the Executive Order does not require a report on the final set of reviewed regulations until July 1, 1996, DEQ plans to have that report to the Secretary of Natural Resources by the Spring of 1996.

Fourth, an internal working group has been formed to study how opportunities for competition can lead to improved agency operations. A pilot effort in the Underground Storage Tank program generated encouraging results. With over 340 reimbursements

processed in a six-month period by a private contractor, DEQ realized savings of \$650,000. Even for those functions which are ultimately kept in-house, this exercise will lead to the realization of many efficiencies.

More broadly, DEQ is establishing performance measures to confirm that we are making progress in serving the citizens of the Commonwealth. These measures include:

- Development and implementation of unit budgets. When the new management came to DEQ, no budgets had been prepared on a unit level. This meant that line managers -- the people who actually run the agency -- had no idea or control over how much they were spending. DEQ is just now finishing the first round of an internal budget process in which the regional directors and the headquarters managers have developed their own budgets. This exercise, while difficult, has been extraordinarily beneficial. Besides forcing managers to assess their expenditures, it has provided a realistic baseline for the biennium budget.
- Establishment of reference processing times for permits. DEQ had previously examined reference processing times for permits, and, in keeping with the requirements of the budget bill, reference times have been set. DEQ anticipates that monthly reports will be prepared allowing us to assess the agency's efficiency and identify opportunities to improve.
- Development and implementation of work plans. Each of the agency's primary program areas will develop work plans which will include monitoring mechanisms for assessing a unit's progress toward its objectives. The work plans will also include schedules for completion of the individual tasks and projects of each program. Performance evaluations will be tied to successful completion of work plan schedules. For example, time strictures will shortly be imposed -- working within the framework of the APA -- on regulations in process. DEQ expects to hold its regulation writers accountable if they fail to meet a deadline absent extenuating circumstances. The first group of these work plans -- including the one for the information technology -- have already been completed.
- Creation of an enforcement tracking system. Too often, enforcement actions bog down, and it becomes very difficult to assess their status. DEQ is developing a database system which will provide information about the number of violations issued and how quickly enforcement actions are brought to conclusion. The system will also track consent orders and penalties and fines collected.
- Creation of a compliance tracking system. DEQ is not confident that it is performing compliance activities in the most efficient, effective manner

possible. Consequently, a database system is being developed which will include information on inspections scheduled, inspections completed, complaints received and timeliness of the response, and regular progress reports for management review.

Beyond these initiatives, the Director has endeavored to increase communication within DEQ by holding open employee meetings that were without precedent at the agency. In a departure from previous management practices, the Director has had numerous informal all-hands meetings and floor meetings, and routinely travels to the regions. Additionally, the Director also sends agency-wide e-mails to alert employees to matters of concern to the entire Agency.

There are some indicators that these efforts are working. When the new senior management came to DEQ, there was a substantial permit backlog. That backlog is now significantly shorter. In June 1994, there were 875 people on the payroll. There are now about 700, and according to the results of JLARC's survey, it is clear that, on the whole, the burden on individuals has not soared. Among technical staff, average hours worked per week before the reorganization were 41.4 per week; afterwards the average dropped to 41.0. Among administrative staff, those numbers are 41.6 and 40.6, respectively. This clearly suggests that DEQ may have been over-staffed. In June 1994, DEQ received the most complaints of any agency at the Governor's office. DEQ now receives compliments routinely.

Citizens have also reacted positively to the changes. Members of the DEQ staff spend quite a bit of time on the road, addressing various groups throughout the Commonwealth. Senior DEQ staff have talked to dozens of groups representing thousands of Virginians in the last 18 months. It is our belief based on these encounters that people in the regulated community, in local governments, and just plain ordinary citizens are pleased to see that this Administration is taking affirmative, concrete action to fulfill the two sets of promises that were made to them.

First, they believe that we are trying to keep promises that were made during the creation of DEQ -- that it would be a streamlined, cost-effective, efficient organization that would ultimately lead to an integrated, multi-media approach to environmental improvement.

Second, they believe that we are trying to keep the promises that the Governor made during the campaign to have a government that is responsive and service-oriented, a government that realizes that environmental improvement and economic vitality are interdependent, and a government that is smaller and more efficient.

It is important to recognize that DEQ's recent history is substantially different than other state agencies. DEQ is the product of four agencies merging into one, immediately before a transition in the Governor's office. Its employees endured not only the merger, but also the disruption of physical relocation into the Main Street office building under the

previous Administration. When coupled with the change in Administrations, and the reorganization, it is encouraging that morale is as good as the JLARC draft Interim Report suggests.

On a final note, the most important test to be applied to DEQ is whether it is protecting the public health and safety in a manner consistent with State and federal law. All the evidence indicates that it is. As JLARC itself has written in the draft report, "The findings from this phase of the report need to be placed in context. DEQ's current leadership team has significantly changed the emphasis, structure and approach that the agency takes in fulfilling its statutory mandate. It is too early in this process to determine the effectiveness of these changes." Although it may be too early to judge the agency's effectiveness, all the indicators of performance are pointed in the right direction.

II. General Comments

Morale

As indicated earlier, DEQ believes the question of morale is an open one, and we are surprised JLARC chose to wander into this particular area without the benefit of either academic grounding or contextual data. The comparisons with Departments of Education and Taxation are clearly problematic, inasmuch as neither of those agencies had experienced anything remotely like the changes that DEQ has endured since the General Assembly decided to combine four agencies into one.

Additionally, the survey data, absent reference points, tells us nothing about the trends present at DEQ. For example, the survey results cannot tell us whether morale at DEQ is getting better or worse or staying the same. Nor do they identify potential remedial actions. In short, they are very nearly worthless as a public policy tool.

Had JLARC taken the time, they would have discovered a wealth of academic literature that indicates that such low morale is not inconsistent with other experiences in rightsizing. Below is an extraordinarily brief sampling of this literature.

In his article, "A New Social Contract for the Workplace", Murray Weidenbaum (former Chair of the President's Council of Economic Advisers) writes that:

During the first six months of 1994, publicly announced company downsizings were at a record high and that phenomenon shows no signs of ebbing.

* * * *

In 1993, Kepner-Tregoe, an international consulting firm, studied 271 manufacturing firms which were undergoing corporate restructuring. They found that employee morale plummeted More than three-fifths of the respondents said that their firms experienced declines in employee morale.

The periodical "Managing Office Technology" writes that:

Employees who survive corporate rightsizings . . . remain fearful of future cutbacks, are mistrustful of management, and exhibit low morale, says a survey from Right Associates, Philadelphia-based outplacement consultants. Three of four managers whose companies had downsized in the past four years said that employee morale suffered significantly. Only one in four indicated that employees who survived the cutbacks were . . . confident about the . . . future of the company and their own career.

In "Engaging Organizational Survivors", Clark and Koonce offer similar thoughts:

In many cases, companies that have restructured . . . have experienced tremendous fallout -- especially in the areas of plunging employee productivity and morale . . .

* * * *

Most people who remain with an organization after it has downsized are worried about long-term job security, despite assurances from upper management that their jobs are safe. Indeed, credibility of senior management is estimated to drop 35 percent after a restructuring, according to a 1990 study by the American Society for Training and Development.

* * * *

Many U.S. federal agencies as well as state agencies are grappling with reinventing themselves to become more "customer-responsive" to other agencies and taxpayers. They're attempting to streamline operations; to downsize; and to create new, cross-functional ways of working among operational groups that used to work in isolation from each other. Morale is a problem as workers try to meet the new demands of their jobs in the "customer-responsive" organization.

In their January 1995 article, "Helping Survivors to Stay on Board", Doherty and Horsted offer that:

Decreased motivation, morale, and loyalty to the organization, and increased stress levels and skepticism among remaining employees, are just some of the reactions reported in the first detailed survey carried out in the UK on so-called "survivor syndrome."

Joel Brockner, a professor of management at Columbia University's graduate business school, states, "When people react negatively to change like downsizing, it shows up in reduced productivity and reduced morale. The real cause is that people feel a threat to their self esteem -- to who they are as people and that drives the reduction in productivity and morale."

David Noer, the vice president for training and education at the Center for Creative Leadership in Greensboro, N.C., writes in "Healing the Wounds: Overcoming the Trauma of Layoffs and Revitalizing Downsized Organizations" that both laid-off and surviving employees share many of the same emotional feelings and that survivors have almost as difficult a time dealing with these feelings as do those who leave the organization.

In "Surviving a Downsizing", Navran defines survivors' syndrome as, ". . . the combination of anger, fear, and guilt that reduces employee trust in the organization." He points out that survivors of downsizing share common and predictable reactions including distrust and loss of morale and motivation. French, in the Journal of Systems Management ("Downsizing: People Issues"), also discusses the psychological impact on those who remain after a downsizing or reorganization. He notes that the "survivor syndrome" can significantly sap the life out of an organization and destroy morale.

Finally, Lloyd and Hadelman ("Retaining Good Leaders Before and After Mergers") also address mergers and the emotional and psychological effect they have on employees. They found that each organization wants to be dominant, and although employees are usually willing to adapt to a new culture, they will resent embracing someone else's culture. If forced to do so morale deteriorates.

Reorganization

JLARC fundamentally misapprehends the reorganization at DEQ as a one time event that neither requires nor results in additional changes. Such an approach is to misunderstand the entire notion of organizational change. While, as indicated earlier, the Director of DEQ has promised, as far as it is within his ability, not to further cut back on personnel, organizational change will continue at DEQ as the situation requires. For example, institution of the career track process represents a departure from organizational history, yet staff and management both recognize the need for such an approach in a changing environment. Similarly, multi-media approaches to permitting and compliance will represent a change in organizational process, yet, those changes will also be necessary.

In fact, the public administration literature on organizational change, referred to once (briefly) by JLARC, is replete with admonitions not to view organizational change as a one-time event. In *Organization Theory, A Public Perspective*, Gortner and Mahler point out that:

. . . under conditions of rapid environmental change, successful organizations adopt less formal, more decentralized and professionally specialized structures that can adapt more quickly and effectively to change. . . . Contemporary theorists . . . argue that in an age of constant change in demands, program knowledge, and levels of expectation, organizations that cannot adapt will not survive.

Similarly, in their seminal 1939 work, *Reorganization of the National Government*, Meriam and Schmeckebier noted:

. . . organization is not at all a static thing which once set right will stay right; rather it is a living organism that must change from time to time as conditions change.

Finally, in 1967, Warren Bennis created the foundational work on organizational change in the public sector in "Organizations of the Future". He writes:

The social structure of organizations of the future will have some unique characteristics. The key word will be "temporary"; there will be adaptive, rapidly changing *temporary systems* (emphasis in original).

In short, organizational change, even at DEQ, is an ongoing and evolving process. It is impossible simply to say that the organization is done changing.

Survey

Since JLARC has essentially built a significant fraction of the report around the survey results, DEQ is compelled to outline a few of the defects with the survey. The defects are primarily with the survey design and conclusions drawn therefrom.

The survey design, i.e., the questions and how they are arranged, lead the respondents toward the negative. This comment has been heard from several employees who filled out the survey, and certainly the results tend to suggest this. Moreover, by excluding employees above Grade 13, JLARC artificially constrains the universe and, DEQ believes, drives the results toward the negative.

It is surprising that JLARC did not reach out to DEQ staff and management to better craft a more agency-specific survey. Many of the questions are directly drawn from surveys done at the Departments of Taxation and Education.

But perhaps the most significant concern with the survey methodology is shown by the conflicting responses to various questions. For instance, when faced with the assertion that "DEQ's leadership goals and priorities are clear", about 3 out of 4 respondents with an opinion said they disagreed. Yet when asked whether DEQ was making progress toward empowering regional staff, about 85% of the respondents said yes. When asked whether DEQ was becoming more customer-service oriented, 3 of 4 respondents with an opinion said yes. These goals -- regionalization and improving customer service -- are without question the main organization goals of the current Director. According to responses to the JLARC survey, the employees clearly understand these goals. On another issue, when asked about

communications at DEQ, about 4 out of 5 employees indicated they did not think communications within DEQ were good. In the same question set, however, 3 out of 4 employees said that communication within their division was good. There are other examples. Such response sets indicate that the survey questions are overly vague and were subject to more than one interpretation by the respondents.

Moreover, the conclusions based on the survey results are overly broad and subject to expansive interpretation. The most pointed example of this is the conclusion by JLARC that 2/3 of the employees surveyed have "bad" morale. This conclusion was reached by combining all the "poor" responses with all the "fair" responses. A different conclusion -- that morale is mostly "good" -- can be reached by combining all the "good" responses with the "fair" responses. This would result in 3/4 of the employees indicating that their morale was good. The truth is that about 1/3 of the responses were "good", and about 1/3 "poor", with about 40% responding that their morale was "fair". How one interprets the "fair" category is crucial to any conclusions about morale, but no definition of "fair" was provided to the respondents. This ambiguity allows JLARC to make whatever conclusion it chooses to make. It is interesting public relations work, but it is seriously defective social science and should play no part in any decisionmaking regarding DEQ's morale.

Interview Questions

JLARC staff has identified a concern regarding the "use of inappropriate interview questions" by DEQ in the hiring of classified personnel. According to JLARC staff, it was inappropriate to ask applicants for DEQ classified positions to identify and comment on the Governor's priorities for government reform and the Secretary of Natural Resources' principles for the environment.

It would perhaps have been a better procedure in this regard for JLARC staff to interview the panel member who asked these questions to determine the manner in which the questions were asked and the purpose for asking the questions. A better procedure may also have been to inquire of the Director of the Department of Personnel and Training and obtain his views on whether such questions are appropriate under DPT guidelines. JLARC staff undertook neither of these procedures, which may have prevented the woeful mischaracterization of the interview process at DEQ which appears in the draft Interim Report. Nor did JLARC staff inquire of the DEQ Director, who served personally on several of the interview panels, how the questions were asked and what the panel expected to learn from asking the questions.

JLARC staff characterizes these questions as unrelated to the requirements of the positions being filled, which included a senior budget analyst, a science advisor, and a regional permitting manager, among others. To reach this conclusion, JLARC staff apparently assumes that the critical skill or knowledge being tested by the interview questions was memorization of arcane trivia drawn from gubernatorial speeches.

If JLARC staff had paused to determine the facts, they would have found that applicants unfamiliar with the maxims referred to would be given an opportunity to review them before being asked to comment on them. There is no indication that memorization was being tested in this process.

As for the questions being job-related, JLARC staff is once again wide of the mark. One of the Governor's priorities in question, for example, is "Developing a customer service oriented government." The idea that a candidate for appointment to a classified position as a regional permitting manager for a regulatory agency, whose position calls for him to be in constant contact with the public, cannot be asked in a job interview for his comments on whether a customer service orientation is a good idea, and, if so, how he might go about doing that within his region, is astonishing.

One of the Secretary's principles for the environment is, "Renewable natural resources are inherently dynamic, resilient and responsive to conservation management." JLARC staff do not explain why a candidate for appointment to a classified position as a science advisor for a regulatory agency cannot be asked in a job interview for his comments on that proposition. In fact his job would call upon him to advise the DEQ Director and, through him, the Secretary and the Governor on the validity, applicability, strengths and limitations of such principles.

JLARC staff also criticizes these questions as "political in nature." Their rationale for this characterization is not stated. The questions do not test the applicant's past political activity, political party identification, support for or opposition to any candidate for public office, or any of the other indicia normally associated with questions "political in nature." The JLARC staff characterization would cast as "political in nature" almost any inquiry into a candidate's views on any aspect of state policy. This characterization would have far-reaching implications for state agencies, and should not be adopted by JLARC without careful study of its implications.

Perhaps even more dangerous is the JLARC staff characterization of the interview questions as violative of federal law regarding equal employment opportunity in hiring. This characterization, like the characterization of the interview questions as "political in nature", appears to have been snatched out of thin air, and is entirely unsupported by any stated rationale. The questions clearly do not on their face discriminate against any identifiable protected category, such as race, sex, religion, national origin, or disability. JLARC staff does not cite any authority for its claim that the questions violate federal EEO laws, probably because there is no such authority. To publish such an unsupported and categorical statement can serve only to expose the Commonwealth to potential litigation and expense.

Wage Employees

JLARC staff identified a concern regarding DEQ's use of wage employees to fill senior supervisory and management positions. The concern expressed is that use of wage employees in senior supervisory and management positions during a change of agency administration creates the potential for circumvention of the competitive hiring process or for de facto political appointments. In this regard, it is significant to note that even JLARC staff admitted that they found no evidence that DEQ classified employees were hired without regard to qualifications or for political considerations.

JLARC staff analysis of DEQ's use of wage employees does not identify a single violation of law, regulation or policy on the part of DEQ. The concern expressed by JLARC staff appears to be based on their perception that assigning wage employees to senior supervisory and management positions is inherently wrong.

This perception is interesting hypothetically, but the JLARC staff criticism of DEQ is ill-founded. It would perhaps have been a better procedure for JLARC staff to have interviewed one or more of the employees in question to determine the scope of the duties and authority they were assigned as wage employees. If JLARC staff had done so, they would have discovered that the wage employees cited by JLARC staff in Table 2 of the draft Interim Report were not assigned to senior supervisory or management positions in DEQ. There is no evidence that these wage employees supervised any other employees at DEQ. They were given no authority to do performance evaluations, impose disciplinary actions, approve leave, or assign work schedules to other DEQ employees. They were, for the most part, assigned to perform short-term projects or other jobs that do not require full-time, classified employees, as provided in DPT's policy regarding wage employees.

These employees were classified and assigned job titles in the DEQ personnel office. The job titles were assigned for administrative convenience, to support the salary levels needed to attract employees of the skill and experience needed to undertake the short-term projects to which they were assigned. Thus, while four wage employees were entitled "Division Director", there were no "divisions" for them to "direct." Instead, they were assigned to work for the DEQ Director to undertake critical projects related to program areas that required special attention.

It is hardly subject to question that state agency managers need the flexibility to use wage employees from time to time to supplement the classified work force. Current policy places appropriate restrictions on the use of wage employees, and DEQ's experience with the use of wage employees to fill short-term needs does not suggest that further restrictions on wage employees would serve a useful purpose.

Secretarial Authority

JLARC staff has identified a concern that the Secretary of Natural Resources has what it terms "significant involvement in personnel matters" which suggests that she is "taking on some aspects of a chief executive for DEQ." This "significant involvement" is said to include having members of the staff of the Secretary's office on interview panels, preparation of interview questions by staff at the Secretary's office, and approval of all appointment decisions above grade 13 at DEQ.

It may perhaps have been a better procedure for JLARC staff to have interviewed the Secretary of Natural Resources and the DEQ Director, as well as the officials at the Secretary's office responsible for the actions giving rise to their concern, before accusing a cabinet secretary of exceeding the bounds of her statutory authority and usurping the prerogatives of an agency head. This procedure may have resulted in a better understanding of the actual relationship between the Secretary and the DEQ Director, and avoided the egregious mischaracterizations on this subject that appear in the draft Interim Report.

Of course, the first and second points identified by JLARC staff are in fact the same, since the DPT Policies and Procedures Manual calls for the interviewers to develop the questions to be asked of each applicant. The Manual indicates that the use of a selection panel for interviewing applicants is within the discretion of the agency. There is no reason that an agency head could not appoint someone from the Secretary's office to serve as one of the members of an interview panel. There is absolutely no indication whatsoever that the individual from the Secretary's office appointed to any DEQ selection panel sought to influence the selection of any individual based on any authority derived from the Secretary.

JLARC staff is evidently not entirely sure what takes place in the Secretary's office with respect to DEQ hiring decisions above grade 13. At one place in the draft Interim Report, the action is described as "approval of all employment offers." On the next page, it is described as "routine review of mid-level hiring decisions." This confusion reflects the remarkable failure of JLARC staff to interview the individuals involved concerning the nature of the activity which JLARC staff is criticizing.

In fact, when an appointment decision is transmitted to the Secretary's office for review, the review package reflects the DEQ Director's decision on the appointment, which has, necessarily, already been made by the Director. The Secretary's office reviews the records of the appointment procedure to ensure that correct personnel procedures have been followed. This review takes place prior to the time the selected applicant is notified of the selection and appointed to a classified position, for the not surprising reason that if a procedural defect is identified by the Secretary, the defect is more easily remedied by the agency head before the selectee is notified and appointed than afterwards.

The draft Interim Report does not identify a single case in which the DEQ Director's decision on a personnel matter has been questioned by the Secretary's office. The reason is that there has been no such case.

A fundamental principle of public administration is that a public official must be given authority commensurate with his or her responsibility. In §2.1-51.8:1, Code of Virginia, the Secretary of Natural Resources is directed to "[h]old agency heads accountable for their administrative, fiscal and program actions in the conduct of the respective powers and duties of the agencies." JLARC staff does not explain how the Secretary is to perform this function without conducting a review of some portion of the agency's administrative actions, including personnel selection actions.

JLARC staff has evidently concluded that the Secretary's review of personnel selection actions contravenes §2.1-114.7, Code of Virginia, which provides that the Governor shall exercise no authority with respect to the selection and tenure in office of any individual employed in accordance with approved methods of personnel administration. But the draft Interim Report does not cite a single instance of exercise of authority by the Governor or the Secretary over any selection decision. Every selection decision at DEQ has been made by the DEQ Director, in strict accordance with §2.1-114.7, Code of Virginia. Significantly, JLARC staff omitted from their discussion of §2.1-114.7, Code of Virginia, the subsequent provision requiring agencies to "supply the Governor with any information he deems necessary for the performance of his duties in connection with the administration of this chapter." This provision is entirely consistent with the oversight role being played by the Secretary in reviewing agency hiring decisions.

JLARC staff also ignores the provisions of §2.1-51.10:1, Code of Virginia, which provides that, "Each Secretary shall be considered an extension of the Governor in the management coordination and cohesive direction of the Executive Department ensuring that the laws are faithfully executed." Under this provision, it is entirely appropriate for the Secretary of Natural Resources to review personnel selection decisions of the DEQ Director to ensure that the Virginia Personnel Act is faithfully executed. JLARC staff may well believe that they know a better way to accomplish this statutory duty than the procedure devised by the Secretary. If so, they have not described it in their draft Interim Report.

In performing her oversight role, the Secretary may from time to time make recommendations to the DEQ Director concerning the administration of his agency. Similarly, JLARC may make recommendations to the DEQ Director concerning the administration of his agency. If the Director follows the JLARC recommendations, is JLARC, "to some degree, functioning in the role of chief executive officer for DEQ?" Merely to state the proposition is to refute it. In each case, the authority of the DEQ Director as chief executive officer of his agency is unimpaired.

In summary, every action of the Secretary of Natural Resources cited by JLARC staff is clearly within her statutory authority, and commensurate with her statutory duties and responsibilities. The DEQ Director's role as the agency's appointing authority and chief executive officer is unimpaired by the Secretary's actions.

III. Comments on the Recommendations

Recommendation 1 -- Agreed.

Recommendation 2 -- Given JLARC's own self-imposed scope limitations, this recommendation should not be in the draft Interim Report. It is a programmatic recommendation, not an administrative recommendation. Additionally, it must be pointed out that JLARC references no concern from the regulated community concerning DEQ's readiness with respect to Title V implementation. Moreover, it is unclear how specific DEQ's planning might be, given that EPA has yet to finalize a single regulation on Title V. Despite that, DEQ will be pleased to share its Title V planning with the General Assembly.

Recommendation 3 -- This recommendation would limit the ability of an agency head to ensure that employees understand his goals, philosophies, objectives, etc. in managing and leading the agency. Furthermore, implementation of this recommendation would complicate and retard the translation of the results of elections into government programs.

Recommendation 4 -- This recommendation asks the reader to infer that wage employees have been allowed to serve in supervisory or management roles. Wage employees are not currently allowed to serve in supervisory or management positions; nor have they been during the tenure of the current Director.

Recommendation 6 -- As more fully addressed in the general comments, no evidence exists that DEQ has, in a systemic manner, breached any law, rule, guidance of policy with respect to personnel. Accordingly, this recommendation should be set aside as having no foundation in facts. Moreover, JLARC has made a point of highlighting the morale situation at DEQ, yet through this recommendation they would remove an important element in the revitalization of employee morale. Many staff at DEQ are excited about the prospect of moving forward with the career track, yet this recommendation would prevent the agency from doing so.

Recommendation 7 -- As more fully addressed in the general comments, the concept of "finalizing" reorganization is one which DEQ does not believe is well understood by JLARC. As regional staff is trained to implement certain programs, such programs will continue to be sent to the regions. Any responsible organization continually evaluates its activities and adjusts to meet the demands placed upon it by those whom it serves.

Recommendation 8 -- Again, JLARC has asked the reader to infer facts not in evidence. The report does not present a single case in which an employee has been discharged for any real or imagined complaint by the regulated community. If JLARC has any evidence that such a thing has occurred, or that DEQ has unfairly treated an employee, or that DEQ has not followed the Standards of Conduct Policy issued by DPT, let them produce such evidence. If they do not have or cannot produce such evidence, then this recommendation should be stricken from the report.



COMMONWEALTH of VIRGINIA

DEPARTMENT OF ENVIRONMENTAL QUALITY

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Director

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December 11, 1995

Mr. Philip A. Leone
Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building
Capitol Square
Richmond, VA 23219

Dear Mr. Leone:

Enclosed please find our second set of comments to the exposure draft of JLARC's Interim Report on DEQ, as well as a copy of my presentation before the Commission. I ask that they be incorporated into the report to the extent feasible, including, if possible, as an appendix to the report.

Thank you.

Yours truly,

A handwritten signature in cursive script that reads "Peter Schmidt".

Peter W. Schmidt

IV. Specific Comments

Page 8 "The Secretary's report emphasized savings through economies of scale and elimination of duplicate positions. The report did not propose staff reductions and the streamlining would occur primarily in the permitting process."

With the announcement of the reorganization on 5/1/95, twenty (20) positions were identified in Richmond as duplication of work within the agency. Three (3) of the twenty people were reassigned prior to layoff to other critical positions and continued with their employment. One (1) took retirement. Of the remaining sixteen (16) people, ten (10) were offered at least one position each in a regional office, but all ten decided to take layoff instead of accepting a position in a region. Within five months, five (5) more of the original 20 personnel identified above (a total of eight) were recalled to vacancies created by attrition or further regional reassignments. Two (2) more employees decided to take layoff in lieu of accepting a regional position in October, 1995.

Page 11 The draft Report states its unchecked opinion about the dynamics of agency reorganization yet it fails to place this into any context by describing what most management analysts suggest are expected transitional symptoms, including: lower-than-usual morale; confusion of roles; continuing conflict of former agency (or corporate) cultures; a perception of lack of communication between management and employees; and expected complaints about any new structure, usually from long-time employees.

By failing to set forth some foundation or background for this, JLARC demonstrates an almost fundamentally-flawed approach to any management analysis, together with the clear implications of lack of objectivity.

Page 27/29 "As of January 1994, at the change of administrations, little had changed with the State's administration of environmental policy as a result of the merger . . . *** The most evident reason the previous administration was unable to fully implement the goals established with the creation of DEQ is the lack of time available between when DEQ was created in April 1993 and when the new Administration took office in January 1994." The report claims lack of time (on page 29), but no evidence is presented to support that claim, and DEQ would aver that there is no such evidence.

Pages 29-30 JLARC fails to make any introductory/foundational statement that underscores that the decentralization effort follows the national trend that characterizes many corporate and government reorganizations today.

Page 30 "Staff changes were made shortly after the current director was appointed." One of the primary concerns of the Director during the early part of his tenure was the "span of control" throughout the agency. The span in several areas was less than 3. This low level span has the adverse effect on an organization because it results in more levels of authority. An examination of the levels of authority in DEQ was found in some cases to be as high as eleven. In other words, from the director to the first level of supervision there were nine layers of management.

"A new group of employees was hired during the period when layers of management were being eliminated. Many of these individuals came into the agency using temporary (wage) hiring authority." Department of Personnel and Training (DPT) Policy 2.20 defines wage employees as employees not covered by the Virginia Personnel Act, who are used to supplement the work force during seasonal or temporary workloads, to provide interim replacements, or to perform short-term projects or other jobs that do not require full-time classified employees.

"Six of the nine employees brought in on a temporary basis shortly after the appointment of the new agency head were later hired as full-time employees.

All classified employees hired under the new director have been in compliance with DPT's hiring policy 2.10. All classified positions were filled through open competition following the hiring policies above. JLARC has offered no evidence to suggest otherwise.

Page 34 "The office space became 75 percent vacant due to several factors including vacancies created by the WTA and layoffs." On 5/1/95, 16 people at Innsbrook took WTA, and 10 people at Innsbrook decided to take layoff. The total represents 13 percent of the total that occupied the building prior to 5/1/95.

Pages 31-35 The JLARC report is silent with respect to the budget implications resulting from co-location efforts and the move of all headquarters personnel to the downtown location, which represented savings of approximately \$1 million to the taxpayers.

Page 41 "Twenty (20) DEQ Employees have been laid off.

With the announcement of the reorganization on 5/1/95, 20 positions were identified in Richmond as duplication of work within the agency. Three of the twenty people were reassigned prior to layoff to other critical positions and continued with their employment. One (1) took retirement. Of the remaining 16 people, 10 were offered at least one position each in a regional office, but all ten decided to take layoff instead of accepting a position in a region. Within five months, 5 more of the original 20 personnel identified above (a total of eight) were recalled to vacancies created by attrition or further regional reassignments. Two (2) more employees decided to take layoff in lieu of accepting a regional position in October, 1995.

Page 43 "As a result of the regionalization of enforcement, 27 headquarters enforcement positions were eliminated." The regionalization plan for water and waste enforcement/compliance started with the establishment of 12 headquarters positions and 36 regional positions. Prior to the regionalization of enforcement/compliance, Twenty-nine (29) positions/people existed in the headquarter's unit. The next step in restructuring was to allow the personnel to apply for any of the newly created positions based on grade, qualifications and seniority. All the affected personnel applied for and were placed in either headquarters or regional positions, except for one employee, who decided to take layoff in lieu of accepting a regional position. The remaining unfilled positions are in various stages of outside recruitment.

Page 45 In its discussion of the competition model, the report fails to mention that employees also had the opportunity to chart their program or function to see if their position or function should be retained, provided additional resources, done differently, etc. The report only listed the negative outcomes that supported their conclusion.

Page 47 DEQ, like most public agencies and large companies, is attempting to achieve the same goals as other mergers, acquisitions, and company restructuring efforts in the private and public sectors. That is, a drive to decentralize, demand systematic accountability, and become more cost-effective (particularly with the public's tax-generated funds) and customer-friendly. Of course, in the midst of this, there is the usual, and expected, complaining from those within the affected organizations who insist on performing corporate work in the same, outmoded approach as has been done since the creation of the company, thus failing to recognize the newer, more responsive corporate

thinking of the 1990s. This language could be applied to almost any agency, environmental or not.

Page 48

". . . the agency's current management has paid insufficient attention to long-range planning and systematic analysis." This purely subjective comment -- based on little offered evidence -- forms the entire basis for one of the recommendations. When it comes to the need for and value of planning and analysis, the judgment of DEQ management, which, including all direct reports to the Director, has a combined total of nearly 200 years of management experience in environmentally-related organizations, has to be considered superior to that of the JLARC audit staff who have no experience in managing environmental organizations. The gravamen of the complaint here appears to be that little was put down in writing. After a thorough search of the literature, DEQ has been unable to find a single reference which strongly recommends that analytical and strategic planning, especially when concerning potential staff reductions, be performed or memorialized in writing.

Page 49

"Personnel decisions are now often referred to the Office of the Secretary of Natural Resources for approval rather than being made at the office director or regional director level."

The agency's personnel decision process has the following steps and agency has consistently followed this process.

1. All internal personnel matters requiring a decision, (hiring, firing, transfers, promotions, demotions, etc.) are made by the Director of the Agency.
2. Any external personnel matters requiring a decision, (hiring) are routed through the Office of the Secretary of Natural Resources to the Department of Planning and Budget (DPB). DPB must approve all external hire requests as they require an exemption to the Governor's Executive Order 38.

Page 50

". . . the task force report is lacking . . ." The report fails to note that the employee task force was asked for its recommendations within one week of being formed. There simply wasn't the time to write everything down and circulate it for comment.

Page 50

"The plan (the Reorganization Plan submitted to the General Assembly's natural resources and appropriations committee) does not provide analysis to support the proposed changes or estimate resources needed to implement those changes". The report indicates general dissatisfaction with the scope and underlying analysis of the reorganization plan submitted to the General Assembly in April. DEQ has had numerous meetings with Members on those Committees since the submission of the reorganization plan. Not one Member has raised concerns similar to JLARC's. Additionally, DEQ appeared before the Senate Finance Committee in June specifically to discuss the reorganization, and again, not one concern was raised as to the sufficiency of the plan.

Page 51

"The degree of changes . . . calls into question the adequacy of planning for the April reorganization." JLARC fundamentally misapprehends the reorganization at DEQ as a one time event that neither requires nor results in additional changes. Such an approach is to misunderstand the entire notion of organizational change. While, as indicated earlier, the Director of DEQ has promised, as far as it is within his ability, not to further cut back on personnel, organizational change will continue at DEQ as the situation requires. For example, institution of the career track process represents a departure from organizational history, yet staff and management both recognize the need for such an approach in a changing environment. Similarly, multi-media approaches to permitting and compliance will represent a change in organizational process, yet, those changes will also be necessary.

One management textbook definition of Planning is "the approach to planning should be essentially logical, with emphasis on the objectives of contemplated actions". DEQ's plan to the General Assembly in April 1995 withstands the above test. Planning should not be confused with implementation of a plan. With a plan as a guide, implementation is the action on the plan. With implementation of the April Reorganization Plan, a competent management team recognizes the fact that timing and evaluating are key elements in the execution of any plan.

Using the elements of timing and evaluating the organization's progress toward regionalization, management made those implementation decisions on decentralization of the enforcement and water protection permit programs based on dynamics of the agency personnel. The regionalization of these two programs has been highly successful.

Implementation of a new personnel system for the agency seems to be greatly misunderstood by the presenters of this report. DEQ is not and has no intention of eliminating pay grades or position classifications. A new mechanism for performance evaluations, likewise, is not being considered.

The career track is being implemented on a pilot basis with the objective to development a process whereby technical personnel can plan a career path by personally developing agency-required skills through which an opportunity for advancement separate from the traditional managerial path can be achieved.

Page 53 "DEQ's decision to accept all 71 applications for the WTA seems inconsistent with the statement that all positions eliminated in the agency were determined to be redundant." DEQ did not want to compel people to stay who had already chosen to move on voluntarily. Obviously, people kept more or less against their will may not be model employees.

Page 53 "Supervisors of laid-off employees were not consulted in layoff decisions." Again, this is a misleading statement. Each individual supervisor may not have been personally consulted, but Division Directors were given ample and repeated opportunities to participate in the process. Note the word "repeated". JLARC portrays a single meeting at which these decisions were made. That is incorrect.

Page 54 "In the Office of Human Resources Training Section, the agency eliminated three of the five positions. However, the agency has detailed one of the director's assistants into the section to coordinate the training program and the "dual career track" program." The person detailed to HRO brings very high qualifications from previous private sector experience both as a geologist and as a staff member familiarity with professional career development. His responsibility was to develop a career development process for DEQ and to implement it. His professional experience in the field of geology was a particularly valuable asset since a large portion of the technical/professional positions in DEQ are geologists/hydrogeologists.

Page 54 "DEQ reduced its staff in the Division of Administration by 13 positions in April 1995, including a vacant buyer senior position. After a Division of Purchases and Supply audit was critical of the agency's procurement practices and staffing, the agency reestablished two buyer senior positions and a buyer manager position." This is not correct. The buyer senior positions were never eliminated.

Pages 58-60 **Title V Implementation.** This entire section should be deleted. First, it is beyond the scope of JLARC's self-imposed constraints -- namely, that the Interim Report is designed to address administrative issues. Title V is clearly a programmatic issue. Second, the plain fact is that DEQ has had a working document addressing Title V implementation in place for almost two years. Not a single person in either staff or management has expressed substantive concern about Title V implementation in numerous internal meetings. Moreover, given the timetables of EPA's regulation development and the ongoing litigation, it is exceedingly unlikely that DEQ will be receiving Title V applications from sources much before December 1996, at the earliest.

Page 69 "The Secretary's involvement in hiring has established a clear reporting relationship of the agency head to the cabinet secretary in an aspect of agency management (hiring) where the Code of Virginia apparently intends to make the agency head the final authority." This dramatically misleading statement assumes a fact not in evidence -- namely that a reporting relationship exists with respect to hiring and firing. The prefatory comments in this Section are very careful not to say definitively that there has been such a relationship, then, without explanation, the report assumes such a relationship.

Page 69 ". . . routine review of mid-level hiring decisions by the Secretary" Again, had JLARC staff taken the time to ask anyone what the Secretary's role in hiring decisions at DEQ is or was, they would have discovered that the Secretary does not make decisions about who is hired as a permanent employee at DEQ. Nor does JLARC present any evidence which even suggests, let alone proves, otherwise.

Page 70 "At least in the Natural Resources secretariat, the Secretary is, to some degree, functioning in the role of chief executive office for DEQ and perhaps other agencies within the secretariat." This comment is completely without factual basis. Again, it is simply a bald, inaccurate assertion for which JLARC proffers no evidence.

Page 70 "DEQ Employees Expressed Concern About a Perception of Favoritism in Agency Hiring". This is a misleading statement drawn from the results of the survey. Less than one paragraph later, JLARC itself states that, "JLARC staff did not find any direct evidence that DEQ classified employees were hired without regard to qualifications solely for reasons of nepotism or political considerations."

Page 72

"DEQ'S personnel management problems raise questions about the desirability of providing it authority for its own personnel system." Decentralization of personnel functions within state government has been taking place over the past several years. The Department of Personnel and Training (DPT) has decentralized many of its previous functions and staff, while maintaining experts in all the major areas. DPT is no longer able to deal with the complexity and diversity among the various state agencies. Therefore, the agencies must build and implement their own personnel systems consistent with and supported by the experts at DPT.

Page 73

"broad-banding technical employees...."

All of DEQ's technical employees salaries fit within 6 of the 23 pay grades mentioned in the JLARC Report. The five pay levels in the new career track does expand the pay range to the equivalent of 8 pay grades of the twenty-three available. The rationale for expanding pay for the technical personnel will allow the agency to keep people with experience and knowledge not only in the technical arena but more importantly in the regulatory arena. This can be done without forcing technical people into management where many have no desire to be, or to lose these employees to the private sector.

"eliminating existing position classifications..."

When the four agencies were drawn into one, no consolidation of class groups was made. DEQ operations are functional based, therefore, seven position classifications have been developed for the technical personnel. Some of the old position classifications will be eliminated that are obsolete to the operations of DEQ. The five pay levels will cover the seven job classes.

"a performance evaluation program that is"

Promotional opportunities within the technical track will be based both on technical merit and interpersonal skill development.

"the possibility of regular reviews for merit..."

The process does call for annual reviews between the employee and his/her supervisor to discuss and develop the employee's short and long range career possibilities. When an employee meets his/her next career promotion opportunity, the employee will be eligible for promotion. The promotion can occur within the same job. This is a departure from the current system in which a higher position must be vacant before an employee can advance.

DEQ and other state agencies lose good qualified people due to these limited advancement opportunities.

Page 74

"Another concern about the proposed form of the career track is the potential for higher salary costs as a result of the broad banded approach to pay grades and the more frequent opportunity for salary increases. DEQ management estimates that initial implementation of the career track will cost approximately \$250,000."

It is true that an individual who chooses to make a career with DEQ can make a higher salary if he/she achieves the higher standards and is promoted to the new level. The new upper limit for a technical employee is equivalent to two additional pay grades over what is available to them now. Certainly there will be more opportunities for an employee to be considered for promotion if he/she is willing to attain higher standards. It must be remembered that this process occurs over an employee's entire career. The potential increase in frequency for promotion could turn out to be two or three opportunities more than an employee has under the current system. However, under the current system, an employee must choose management to have these same opportunities.

Implementation cost for career track for salaries is zero. There is an estimated cost -- ranging from \$75,000 to \$250,000 (which represents less than 1% of DEQ's general fund appropriation) -- for reallocations to correct inequities between classes as a result of combining four agencies.

Career track is a personal growth and development tool that can provide some additional promotional opportunities over one's career. It is a personnel process developed as a response to the perception, at least at DEQ, that professional/technical employees are leaving state service because of the lack of growth opportunities. This loss of talented technical employees is crucial to DEQ which relies heavily on science and engineering to run the agency and serve the public.

Page 76

"Nevertheless, two-thirds of employees . . . indicated that their morale was fair or poor." Again, the statement can be turned on its head. On closer examination, 72% of the employees indicated that their morale was "fair", "good", or "excellent". Only 28% rated their morale as "poor". Considering the scope and magnitude of changes that have occurred at DEQ in the last three years, that is encouraging. Also, the agencies with which DEQ was compared experienced nothing comparable to the forced merger and physical relocation at DEQ.

Page 80

"It appears that improving employee morale and trust in agency management will continue to be a significant challenge for DEQ management." We agree. DEQ senior management believes that the key to improve morale is communicating better with employees, especially regarding job security. Consequently, the Director has initiated a series of meetings with all employees to assure them that, to the extent it is within his discretion, there will be no more layoffs at DEQ. Additionally, DEQ intends to expand this effort to include regular meetings between staff and the Director, where, it is hoped, communication will help improve confidence and trust in agency management.

It is also important to remain cognizant of the fact that the JLARC survey is simply one data point; it is a snapshot of the agency. It cannot indicate whether morale is deteriorating or improving. It is not an examination of morale trends at DEQ. DEQ senior management believes that morale is slowly improving at the agency.

Pages 82-83

"DEQ employees expressed considerable concern about the security of their positions, despite the majority of DEQ's staff reductions having been accomplished by methods other than layoffs and the agency's significant efforts to find alternative positions for employees who were laid off. . . . *** In April 1995, the DEQ director announced the implementation of the 'final step of DEQ's reorganization'". JLARC has apparently confused "reorganization" with our ongoing effort to regionalize as many functions as is prudent. Employees at DEQ are well aware of our continuing push to regionalization, as testified by JLARC survey results which indicate that about 85% of DEQ employees understand that regionalization is an important goal of DEQ's management.

Page 88

"A Plurality of Employees Believe that the Agency is Not Maintaining Environmental Quality". To leave this statement, and its corresponding section in the report, without addressing the underlying facts, is irresponsible and misleading. If JLARC wishes to incorporate this Section in the report, then it should also incorporate factual information concerning the legitimacy of the concern. Such factual information should include, but not be limited to, air emissions throughout the Commonwealth, redesignation data for nonattainment areas, information on the Toxics Release Inventory, 305(b) data, 303(d) data, total health risks data, etc. Unless JLARC plans to introduce such data, this Section should be removed. JLARC states that "The validity of DEQ employee perceptions regarding environmental protection will be tested in phase two of the review." Then that is where the employees concerns

should be introduced. To leave this Section in place without factual response for one year is misleading.

Page 90 "The findings from this phase of the review need to be placed in context."
We agree.

Page 90 "DEQ's current leadership team has significantly changed the emphasis, structure, and approach that the agency takes in fulfilling its statutory mandate. It is too early in the process to determine the effectiveness of these changes." These two sentences, with which DEQ agrees, completely undermine the entire report. They ratify what DEQ has contended all along -- results matter; judge DEQ by whether DEQ is helping to improve the environment and following the laws. Do not judge DEQ based on innuendos, inaccurate and misleading statements, and distortions.

JLARC Staff Comments on the DEQ Response

We are pleased to see in DEQ's responses that the department agrees with the JLARC staff report in a number of areas and with certain recommendations. For example, it is a positive development that DEQ management now recognizes the potential value of strategic planning for its agency, and therefore agrees with the first recommendation in the report. While questioning whether JLARC's second recommendation pertaining to Title V should fall within the scope of the first phase of the JLARC study, DEQ indicates that it will be pleased to share Title V planning with the General Assembly. Also, DEQ's response provides extensive recognition to the fact that agency downsizings tend to create agency morale problems. DEQ states that it agrees with the JLARC report's conclusion that improving employee morale and trust in agency management will continue to be a significant challenge for the agency.

While these are some important areas of agreement, there are a number of findings and recommendations contained in the report for which DEQ disputes the factual basis or disagrees with the study interpretation, and there are other findings and recommendations the department simply dismisses. DEQ's response indicates a misunderstanding of several important points in the JLARC report. Because of these misunderstandings, it is important for JLARC staff to comment on the major elements of the DEQ response. The comments follow the general format of DEQ's two responses to the report.

I. Contextual Comments

JLARC staff concur with DEQ that DEQ's integration as an agency was not complete in 1994, when agency management changed. JLARC staff also concur that DEQ's new management team faced some significant organizational challenges.

However, DEQ's characterization of the agency prior to the reorganization as an "organization in distress" applies to the agency today. While DEQ's response cites at length from the literature all of the conceptual reasons why downsizing can do harm to an agency, the response never fully comes to grip with the implications of this for DEQ nor with the results of the JLARC survey of DEQ employees. The DEQ response does not address the survey findings that 89 percent of employees disagree with the statement that "employee morale is good"; or that 83 percent of employees disagree with the statement that "employee trust in agency management is good", or that 57 percent of technical staff believe that their job could be at risk to at least some extent in making decisions or recommendations consistent with existing law or regulations. The DEQ director asserts his belief that morale in the regions is good, when the survey data indicate that morale is only marginally better in the regions than in headquarters.

Because the agency has not fully come to grips with these organizational issues, the DEQ response indicates difficulty in understanding the thrust of the JLARC interim report. The JLARC interim report states that it is too early in the process to determine the effectiveness of the reorganization changes. DEQ concludes that this statement "completely undermines the entire report". We do not agree. Planning, personnel practices, and employee morale are issues that matter, especially during the large-scale reorganization of an agency.

DEQ's reorganization can still succeed, but planning and morale problems make it much more difficult. Depending on implementation, regional empowerment and a greater customer service orientation could be beneficial. However, DEQ management needs a more realistic appraisal of the organization's current health than is reflected in its responses to the JLARC interim report. "All the indicators of performance," as DEQ put it, are clearly not pointed in the right direction.

II. General Comments

Morale

DEQ's response states that JLARC staff's findings regarding employee morale suggest that morale problems at the agency were caused by the agency's restructuring and that it is impossible to tell whether morale was getting better or worse in the agency. DEQ's response also states that JLARC staff do not suggest any remedial actions to improve morale.

As part of the JLARC employee survey, employees were asked to list factors affecting their current morale. The three most commonly listed factors were: a concern that the agency was going too far in meeting the demands of the regulated community and thereby compromising environmental protection, concern about politicization of the agency's hiring practices, and concern about future organizational changes at DEQ. Restructuring *per se* was not a concern of employees. However the lack of information about the restructuring and the internal secrecy surrounding it was a concern. Several employees commented that they learned more about the reorganization from the local media than they did from the agency's management.

To improve agency morale, JLARC staff recommended that DEQ take steps to improve its personnel practices and to complete ongoing aspects of its reorganization, such as decentralization of programs and analysis of the competition survey. As for morale trends, JLARC staff asked in interviews with DEQ staff during the fall of 1995 whether morale was perceived as getting better, worse, or staying about the same. Eighty-two interview subjects responded to this issue. Six interview responses indicated that morale was improving, sixty stated that it was getting worse, and sixteen stated that morale

was about the same. These interview responses, primarily received from DEQ management staff, do not suggest a trend towards improving morale.

Reorganization

DEQ indicates agencies need to be dynamic and seek opportunities for improvement. Nothing in the JLARC report disputes this general principle. However, as DEQ acknowledges in its comments regarding morale, downsizing and restructuring can have a negative effect on employee morale. Therefore, the agency should endeavor to complete ongoing aspects of its current reorganization (which began over 18 months ago). To this end, the agency should complete its analysis of the competition survey and of programs to be decentralized to the agency's regional offices.

Survey

DEQ makes several assertions regarding the JLARC survey, including: the survey is arranged to lead respondents to the negative, the survey sample is unduly constrained by excluding management staff, the survey is not appropriately customized to the agency, and survey responses are conflicting.

Regarding the arrangement of survey questions, most items are arranged using Likert-scaled questions asking employees to strongly agree, agree, disagree, or strongly disagree. In all cases, statements are given in the affirmative, for example "employee trust in agency management is good" or "employee morale is good." Use of the Likert scale format is a standard method in survey research, and we completely disagree with the assertion that the survey lead respondents to the negative.

The great majority of DEQ managers were interviewed by JLARC staff. Interview responses suggested the same concerns identified in the employee survey: a low level of employee trust in agency management, concerns about agency morale, and concerns about the direction of the agency.

Regarding customizing the survey for DEQ, many of the survey items on the employee survey had been used in past JLARC surveys of state agencies. This was because many of the issues relevant to DEQ, such as employee morale and trust in agency management, are similar to issues examined by JLARC staff at other State agencies. Use of survey items from previously administered employee surveys allowed for some contextual comparisons between the perceptions of DEQ employees and employees in other agencies. In several cases, questions were customized for DEQ.

As for DEQ's statement that some survey responses provide conflicting information, this assertion is not supported by the examples provided by the agency. There is a significant difference between being asked if goals are

"understood," and being asked to agree or disagree with whether the agency is advancing towards its objectives. "Understanding" connotes a high level of familiarity and comprehension, and is a more stringent requirement. The distinction between knowing/understanding something versus reacting to it is the same type of distinction which DEQ employed when it first asked its job applicants if they knew the Governor's reform priorities and the Secretary's principles, and then, if not, provided the applicants with the specific priorities and principles and asked them to discuss them. While applicants who did not "know" the principles were penalized (a fact completely documented by hard copy interview guides in top management's own handwriting but still denied in the DEQ response), that fact did not preclude those applicants from having a reaction to the second part of the question. The reason we believe the JLARC survey question about employee "understanding" of the reorganization is significant is that 18 months into a reorganization, it seems appropriate to expect a fairly high level of familiarity and comprehension among employees of the reorganization's purpose. If such an understanding is not present, it appears that a communication problem exists. In contrast, it seems inappropriate for DEQ to expect job applicants who may not yet work for the State to recite a cabinet secretary's principles that had not been widely promulgated.

DEQ also cites survey responses which indicate that most employees disagree that communication within DEQ is good, while most employees agree that communication within their office and division is good. In calling these findings inconsistent, DEQ fails to recognize that the two questions address different levels of analysis. The survey item about communication within a division or office assesses DEQ's communication at the unit level within the agency. Most employees agree that communication at this level is good, a conclusion supported also by the survey finding that most DEQ employees feel that their immediate supervisor is accessible. However, DEQ employees expressed concern in interviews and in survey responses about the communication from the agency's top management regarding the reorganization. This accounts for most employees disagreeing with the statement that communication in the agency as a whole is good. This response is also consistent with the fact that poor communication regarding the reorganization was listed by DEQ employees as one of the factors negatively influencing morale.

DEQ further points to JLARC analysis of one survey item regarding individual morale as a methodological flaw. DEQ's response states that JLARC staff conclusions regarding employee morale are based on JLARC's interpretation of the meaning of fair morale. This item is presented as a Likert-scaled item, with employees asked to rate their morale using one of four descriptors: excellent, good, fair, or poor. DEQ's response states that three of the four should be combined to support a conclusion that morale is good. However, JLARC's analysis follows the standard convention of combining the

first two choices in the Likert scale and comparing them with the last two choices.

DEQ also ignores altogether the other survey item regarding morale. When asked to strongly agree, agree, disagree, or strongly disagree with the statement "employee morale is good," 89 percent of employees either disagreed or strongly disagreed. DEQ does not mention survey findings regarding trust in agency management, another of the report's major findings. Responses to this item indicated that nine percent of DEQ employees agreed with the statement "trust in agency management is good," while eighty-three percent of employees disagreed or strongly disagreed.

A final note regarding the JLARC survey of DEQ employees is that DEQ management administered the same survey instrument to all of its employees a month after the JLARC survey was administered. DEQ's director sent a memo to all DEQ employees on October 19, 1995 stating that "As part of their ongoing examination of DEQ, JLARC has sent out surveys to selected employees. After reviewing the survey form, I believe it can be of general use to the agency in obtaining valuable feedback from employees." DEQ has not chosen to share its own survey results with JLARC staff. However, the DEQ director's memo succinctly states the value of the JLARC employee survey, stating that it provides valuable feedback from employees to DEQ management.

Interview Questions

One of the specific objections made in the JLARC report to the use of interview questions about the principles of the Governor and the Secretary of Natural Resources is that rote memory for general philosophical principles, not specific qualifications for a position, is being tested. DEQ's response asserts that "there is no indication that memory is being tested in this process." However, JLARC staff's review of documents from interview files of the positions in question revealed that applicants were downgraded for being unable to correctly cite the Governor's principles for government reform and the Secretary's principles for the environment. Likewise, applicants received positive credit if they could provide these principles without prompting. For example, for one applicant the agency director wrote "yes, knows perfectly well" and awarded full credit for the interview question. For another applicant, the panel member wrote "no, does not know at all" and awarded no credit for the interview response. Having assessed the applicants' ability to recite the principles, the second part of each question, which was rated separately, asked applicants to comment on how they would apply the principles in their job or, in some cases, whether they agreed with the principles. Since DEQ management should be fully aware of how they rated these questions, their response on this item is indefensible.

DEQ's response also states that there is no evidence that these questions are political in nature. Yet, DEQ's objection to JLARC staff's recommendation (recommendation #3) that such questions not be allowed is that "implementation of this recommendation would complicate and retard the translation of the results of elections into government programs." This appears to be an explicit admission of the political nature of these questions by DEQ.

The comments prepared by the Office of the Attorney General staff member on the appropriateness of these questions was prepared as part of the exposure process for this report. The Attorney General's office was not consulted prior to the administration of these questions. Both the DEQ response and the comments of the Attorney General's staff member make arguments that miss the essence of the interview questions that were asked. DEQ and the Attorney General staff member pose the issue as follows:

"The idea that a candidate for appointment to a classified position such as a regional permitting manager for a regulatory agency, whose position calls for him to be in contact with the public, cannot be asked in an interview for his comments on whether a customer service orientation is a good idea, and, if so, how he may go about doing that within his region is astonishing" (DEQ first response).

"At issue here is whether questions and discussion of the policies and goals of management as they apply to the job to be performed by a potential employee are appropriate in the context of a job interview" (Attorney General staff member's comments).

If the interview questions that DEQ asked had borne a substantial resemblance to the question DEQ poses above, then the questions would not be an issue. What these constructions of the issue clearly miss is that: (1) the questions were posed within the context of what elected and appointed officials said, not within the context of DEQ's statutory purposes, DEQ policy, or DEQ management goals, (2) applicants were rated on whether they knew and could recite the Governor and Secretary's principles, not just on whether they could comment on them, (3) the testing for such particularized knowledge creates the potential for preselection by favoring candidates with inside knowledge, and (4) the meaning of some principles, such as "personnel is policy," is far more nebulous and of questionable application for job discussion than the concept of customer service which DEQ picks as an example. DEQ and the Attorney General's staff member never address the real-world issue of the likelihood that a non-partisan applicant would have committed several, let alone all nine, of these principles to memory, or the perspective that is required to believe that they should have.

Further, notes from the applicant panel members do not support a notion that these questions were used to discuss the specifics of how the positions being applied for could be used to achieve these goals. Each of the following sets of comments constitutes the complete notes of a panel member documenting a response scored as a "plus" discussion of the principles:

"have lost two pulp mills over the last 12 yrs. jobs enhance the environment—reg. community basically is OK. Concerned@ lab being closed."

"job is to look for opportunities to exercise these principles"

"promote efficiency and duplication—lean and mean programs' help industry come and promote jobs in the process. let industry through privatization create new opportunities."

It is useful to note, regarding these interview questions, that notwithstanding DEQ's current defense of their appropriateness, the agency discontinued using them. Interviews with DEQ employees suggest that just as the interview questions became widely known and prepared for by DEQ's employees, the use of the questions was discontinued.

Wage Employees

DEQ's response asserts that current guidelines for the use of wage employees are adequate and that DEQ's extensive use of wage employees in senior positions during 1994-95 was appropriate. DEQ's response does not address the specific concerns raised by JLARC staff about use of such employees. The first is that selection of wage employees is a noncompetitive process. Six of the nine highly compensated wage employees at DEQ later received full-time positions, raising a concern about preselection of candidates and circumvention of the State's merit system for hiring classified employees. The second concern is that use of highly compensated wage employees, given senior management titles such as division director, potentially undercuts the authority of the agency's full-time, line managers. In interviews with JLARC staff, DEQ employees working in units with highly compensated wage employees complained that wage employees undercut the authority of their line supervisors (line supervisors also were not consulted about the need for a wage employee in their unit). Employees added that it was difficult to know who to take direction from, the wage employee or the line supervisor.

DEQ's response states that assigning senior management titles was a matter of convenience to support the high level of pay given to the wage employees to complete their assigned projects. This raises an additional concern of the extent to which the duties assigned to wage employees legitimately warranted the high level of compensation awarded these

employees. The agency's documentation on the tasks and duties to be accomplished by these employees was minimal (consisting of memos to the file listing general types of tasks to be performed, written by the agency head after the employees were already working with the agency). In hiring the wage employees, the agency did not adhere to its own policy of having a written job description for each wage employee, an analysis of the appropriate salary range for the position, and a demonstrated need for the wage employee position. To the extent that documentation does exist justifying the positions, it was prepared after the employees had already entered on duty.

Involvement of the Secretary of Natural Resources in Agency Hiring

DEQ's response states that the Secretary of Natural Resources does not approve agency hiring or other personnel actions, rather the Office of the Secretary reviews these actions for procedural correctness. In an interview with JLARC staff on August 17, 1995, the DEQ director indicated that the Secretary reviews all hiring or transfers over grade 13 to ensure that "DEQ is picking the best people for management jobs." DEQ's justification that the review by the Secretary's office was for procedural correctness was made during the exposure process for this report and contradicts statements made to JLARC staff by DEQ management during the review. It is also difficult to determine why only management-level positions, as opposed to other positions, were selected for a review of procedural correctness, as the same personnel policies are to be followed for all classified positions. The assertion that the Secretary's review was for procedural correctness only is the basis for the Deputy Attorney General's comments suggesting that this review is within the Secretary's authority. Therefore, these comments are based on an assumption at odds with JLARC staff's findings during the review.

Memos from the DEQ director to the Secretary of Natural Resources regarding positions over grade 14 requested the Secretary's "review and approval." DEQ and the Secretary of Natural Resources concede that an employment offer could not be extended to an applicant for a position, nor could a transfer be completed, until the Secretary approved the transaction. This clearly constitutes approval by the Secretary of hiring classified employees, which may not be in keeping with legislative intent regarding the role of cabinet secretaries.

Regarding involvement of staff from the Secretary's office on interview panels, the Secretary of Natural Resources acknowledged that staff from her office were included on DEQ interview panels at the Secretary's request. Interviews with numerous DEQ staff indicated that, for a time, involvement of the Secretary's staff in interview panels was viewed as mandatory. DEQ's response attempts to convey the impression that the involvement of the Secretary's staff in interview panels was occasional and at the request of the agency. Neither of these assertions is correct.

III. Comments on the Recommendations

The preceding JLARC staff comments address our perspective regarding several issues reflected in report recommendations. With regard to Recommendation 6 and the career track personnel system, the JLARC report indicates that DEQ has a number of personnel management problems which raise questions about the desirability of providing it with its own personnel system. With regard to Recommendation 8, the fact in evidence is that 57 percent of DEQ survey respondents indicated a fear that at least to some extent, their jobs could be in jeopardy while making a decision consistent with existing law and regulation.

IV. Specific Comments

With one exception, none of DEQ's "specific comments" address factual errors in the JLARC staff report. Rather, these comments address questions of interpretation and tone, or provide information consistent with report findings. The one assertion of a factual error made by DEQ is that the buyer senior position referenced in the JLARC report as having been abolished as part of the agency's reorganization was never in fact abolished. According to a DPT Position Transaction Report for Agency 440 (DEQ) dated 12/02/94 Position Number P0847, with Classification Code 26103 (Buyer Senior), Transaction # PSP128, was abolished effective 11/16/94. This position was included in the position reduction totals for the Division of Administration and Support reported with the presentation of the DEQ Reorganization Plan in April 1995.



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December 8, 1995

The Honorable Becky Norton Dunlop
Secretary of Natural Resources
Ninth Street Office Building
Richmond, Virginia 23219

Dear Secretary Dunlop:

You have shared with me a copy of the November 15, 1995 exposure draft of the Interim Report prepared by the staff of the Joint Legislative Audit and Review Commission (JLARC) of their review of the Department of Environmental Quality. I offer the following comments on some of the legal matters dealt with in the draft interim report. My comments are based on facts contained in the draft interim report and facts provided by your office.

The first is the JLARC staff comment that inappropriate interview questions were used in recruiting for several DEQ positions, which is found at page 61 of the draft interim report. The questions used, according to the draft interim report, asked prospective employees to identify and comment on certain policy principles and priorities which have been established by the Governor and you. The draft interim report indicates that these questions are not reasonably related to the requirements for the positions which were sought by the interviewees and violate federal law regarding equal employment opportunity in hiring.

It is difficult to understand the apparent conclusion reached in the draft interim report that the questions were not reasonably related to the requirements for the positions which were sought by the interviewees. A clear concern for management when it considers hiring a prospective employee is whether that applicant possesses the talent and technical expertise and skill to advance the policies and principles adopted by management. It would be difficult, if not impossible, for management to make such a judgment without discussing with the applicant the policies that have been adopted by the Department. While the mere knowledge of the priorities for government reform set out on page 63 of the draft interim report might not necessarily be used on a daily basis by the average DEQ employee, discussion of those principles and how they relate to the job for which the applicant has applied would appear to be relevant information both

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for management in deciding whether to make an offer of employment and for the applicant in deciding whether to accept such an offer."

I am aware of no case that supports the proposition that the use of such interview questions violates any federal law regarding equal employment opportunity in hiring. The questions do not express any discriminatory animus against any protected group. Nor is there any indication that the questions were used in a manner intended to have an adverse impact on applicants who belonged to any protected group.

I have also reviewed the draft interim report's conclusion that your level of involvement in DEQ personnel matters is inappropriate and not in keeping with the legislative intent of cabinet secretaries in Virginia State Government, which is found on pages 66-70 of the draft interim report. The draft interim report primarily focusses on your review of agency classified appointments above grade 13, and indicates that this review gives the appearance that you have been "tacitly established as the agency's appointing authority for mid-level and senior positions," thereby assuming the role of chief executive officer for DEQ.

You have indicated that the purpose of your review of selection decisions is to insure that the requirements of the Virginia Personnel Act have been complied with, and that the DEQ Director's selection decision is included in the documents which you review. You also indicate that this review procedure has never, during your tenure in office, resulted in a recommendation from you to the DEQ Director that a person be appointed other than the person already selected by the DEQ Director.

It is also difficult to understand the apparent conclusion of the draft interim report that this review on your part contravenes the provisions of §2.1-114.7, Code of Virginia, or is inconsistent with your responsibilities as set forth in §2.1-51.8:1, Code of Virginia. It is significant that §2.1-114.7, Code of Virginia, provides that agencies are required to supply the Governor with any information he deems necessary for the performance of his duties in connection with the administration of the Virginia Personnel Act. The Governor's broad powers to oversee the execution of the Virginia Personnel Act are set forth in §2.1-113, Code of Virginia, where the Governor is established as Chief Personnel Officer of the Commonwealth.

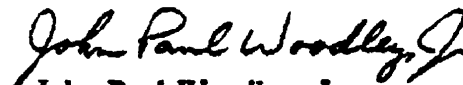
I understand that the draft interim report characterizes the questions used by the selection panel as "political in nature." I note that the questions do not ask applicants about their partisan political activities or voting records. Such questions would be highly improper if put to applicants for classified positions. At issue here is whether questions and discussion of the policies and goals of management as they apply to the job to be performed by a potential employee are appropriate in the context of a job interview.

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Finally, the powers and duties of the cabinet secretaries are supplemented by §2.1-51.10:1, Code of Virginia, which provides that "Each Secretary shall be considered an extension of the Governor in the management coordination and cohesive direction of the Executive Department ensuring that the laws are faithfully executed."

It would no doubt contravene §2.1-114.7, Code of Virginia, for you or the Governor to direct an agency head to select any individual for a classified position or to remove any individual from a classified position within his agency. But the law just as clearly grants the Governor and his cabinet secretaries broad oversight responsibilities over agency heads in personnel matters, and corresponding authority to review personnel actions at their discretion to ensure that the Virginia Personnel Act is faithfully executed. More generally, the law grants you broad discretion in fulfilling your statutory duty. Thus, your actions would appear to be within your statutory authority.

Very truly yours,


John Paul Woodley, Jr.
Deputy Attorney General

**Remarks of
Peter W. Schmidt
Director
Department of Environmental Quality
before the
Joint Legislative Audit and Review Commission**

December 11, 1995

Good morning, Mr. Chairman and Commission members. Thank you for this opportunity to discuss JLARC's draft Interim Report on DEQ. Let me state at the outset that we concur with several of the observations made by JLARC, including the need to continue to improve communication at DEQ, and to examine some potential redundancies in our organization. We thank JLARC staff for their hard work and for observations which can serve DEQ in its ongoing efforts to provide timely and appropriate responses to taxpayer requests.

Before I begin to comment on a number of matters associated with this draft report which cause me concern, I want to focus on what I believe is the core message of the draft report. It is found on page 90 of the initial draft, and it reads as follows:

"The findings from this phase of the review need to be placed in context. DEQ's current leadership team has significantly changed the emphasis, structure, and approach that the agency takes in fulfilling its statutory mandate. It is too early in the process to determine the effectiveness of these changes."

Despite this obvious and correct disclaimer, the previous 89 pages of the draft report contain a number of comments, conclusive statements and recommendations about our effectiveness. I ask that as you consider the material before you, you keep in mind JLARC staff's own admission that it is too soon to draw conclusions about how well DEQ is organized and operating.

I would also like to focus on a fact that appears to have been overlooked. That is, that despite all the verbiage in the draft report we received, not a single claim has been made by JLARC staff that DEQ, or the Secretary, has breached any law, rule, regulation, or guidance with respect to personnel or other matters. It would be a mischaracterization to assume that the draft Report claims such a breach -- it does not.

Let me briefly address our most salient concerns with the draft Report.

First, JLARC staff has identified a concern that the Secretary of Natural Resources has what it terms "significant involvement in personnel matters" which suggests that she is "taking on some aspects of a chief executive for DEQ." This "significant involvement" is said to include having members of the staff of the Secretary's office on interview panels, preparation of interview questions by staff at the Secretary's office, and approval of all appointment decisions above grade 13 at DEQ.

In fact, when an appointment decision is transmitted to the Secretary's office for review, the review package reflects the DEQ Director's decision on the appointment, which has, necessarily, already been made by the Director. The Secretary's office reviews the records of the appointment procedure to ensure that correct personnel procedures have been followed. This review takes place prior to the time the selected applicant is notified of the selection and appointed to a classified position, for the not surprising reason that if a procedural defect is identified by the Secretary, the defect is more easily remedied by the agency head before the selectee is notified and appointed.

The draft Interim Report does not identify a single case in which the DEQ Director's decision on a personnel matter has been questioned by the Secretary's office. There has been no such case.

In summary, every action of the Secretary of Natural Resources cited by JLARC staff is clearly within her statutory authority, and commensurate with her statutory duties and responsibilities. The DEQ Director's role as the agency's appointing authority and chief executive officer is unimpaired by the Secretary's actions.

Second, the draft Report's characterization of morale is completely without context. As experience in both the corporate world and the public sector has amply demonstrated, morale is customarily the first casualty of any effort to reorganize or streamline. The draft report compares DEQ to the Departments of Education and Taxation. DEQ's experience has been dramatically different from that of both of those agencies. DEQ is the product of a forced merger of four agencies into one. Shortly after the merger, employees were forced to physically relocate. Moreover, during the transition of moving and merger, there was a change in Administration which further complicated the situation. Finally, there was no clear direction after the merger, despite the passage of more than a year. In such circumstances, morale is bound to deteriorate.

The draft fails to note any of this, or place its survey results into proper context. Moreover, the draft fails to point out that the survey is a solitary data point: it says nothing about where morale was last year, last month, or last week. Consequently, it is useless as a tool in determining whether morale is slipping, staying the same, or getting better. We think it is improving, although we realize that we still have ample room for more improvement.

On a final note related to the survey, we strongly disagree that morale is problematic in the regions; we think morale in the regions is good. I have brought with me 5 of my 6 regional directors, all of whom will be happy to answer questions on the morale in their regions.

I'd also like to touch briefly on the issue of reorganization. As I have told DEQ staff, there will be no further reductions as far as it is within my power to prevent them. I have also made it clear that we will continue to send programs out to the regions as appropriate. It is not possible or prudent to simply declare that there will be no more changes at DEQ. As the needs of our mission change, and the way we complete that mission changes, we might need to make additional changes. I believe that DEQ staff understand that, and I believe that they are beginning to understand that there will be no more staff reductions initiated by me.

I think for contextual purposes, it is important to understand the situation that existed at DEQ 18 months ago. The forced merger was a little more than one year old. No efficiencies had been taken or gained as a result of the merger. There were still four different cultures and management teams, with some recurrent hostility among them. It was not uncommon to hear the merger characterized as a hostile takeover. For a variety of reasons, there was no clear direction for the new organization.

My experience with new organizations led me to conclude that something needed to be done quickly. The first step was to establish and communicate clear priorities for the agency. The first priority was to continue our statutory mandate to enhance and improve Virginia's natural resources. The second priority was to move authority and operations as close to the responsible parties as possible. This is typically called 'regionalization'. To make it work, we recruited our regional director positions extensively. The six people ultimately chosen are the backbone of DEQ. Each of them is a career State employee. Combined, they have over 100 years of experience in environmental management. The third priority was to emphasize customer service.

We also instituted new initiatives to help DEQ get on track and moving in the right direction. These include placing budget responsibility in the hands of our line managers; cross-training our permit writers and compliance specialists; tracking compliance and enforcement efforts; and instituting a new personnel system called career track. The draft report spends some time dealing with career track: let me explain it briefly. At an agency like DEQ, which is highly technical and scientific in nature, the personnel system drives people toward management simply because it is the only way to advance. Many scientists and engineers would rather not be managers. The career track is a way to help such people advance. Frankly, the staff has enthusiastically embraced this concept, and we expect it to improve morale significantly.

As we discussed earlier, it is probably too early to speak definitively about our progress, but we have some results which indicate that we are making progress. The initial results are especially promising on the permitting front. In June 1994, DEQ had 50 expired VPDES permits and 9 expired VPA permits. In November, we had only 26 expired VPDES permits, and no expired VPA permits. Among major VPDES permits, only 12 of 141 are expired. At 8.5%, that is the best in EPA Region III; our next closest competitor is West Virginia, which has allowed 16% of their major VPDES permits to expire.

On the waste side, in June 1994, there were 123 permit applications in the backlog. In November 1995, there were only 45. On the air side, in June 1994, there were 47 applications in the backlog. In November, there were just 21.

We believe that we've accomplished these results by working smarter. The JLARC survey indicates that workload burden on individuals has actually decreased since the WTA and streamlining.

I'd like to close by presenting a brief status report on some environmental indicators. On the water side, we recently published our 303(d), or impaired waterways list. It showed that there were 880 miles of impaired stream miles in the Commonwealth; compared to about 45,000 total stream miles in the Commonwealth. This compares with estimates as high as 40% nationwide. On the air side, we now have data in place which indicates that 3 of the 4 nonattainment areas in the Commonwealth -- Richmond and Hampton Roads for ozone and Northern Virginia for carbon monoxide -- can now petition for redesignation. In the Underground Storage program, which was the focus of some concern earlier in the year, we have closed out 2200 cases, protecting both the integrity of the Fund and Virginia's environment. EPA audited our program and had questions about only 4 closures. Finally, the Toxics Release Inventory has shown a steady decline in the amount of emissions released, dropping 56% between 1987 and 1993. Which brings me to a final point on these indicators. We recognize that trend lines were improving before this Administration. Our charge is to ensure that they continue to do so. All the data available to us indicates that Virginia's environment continues to move in the right direction.

Thank you.

JLARC Staff

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